Supreme Court, U.S.
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IN THE

Supreme Court of the United States

OCTOBER TERM, 1994

SGS-THOMSON MICROELECTRONICS, INC.,
Petitioner,

v.

INTERNATIONAL RECTIFIER CORPORATION,
Respondent.

Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

Whether a case that has been improperly transferred under 28 U.S.C. § 1406(a) may be remanded to the improper transferee district for further pretrial proceedings and jury trial, rather than being returned to the plaintiff's chosen district in which jurisdiction and venue are proper, solely because of the transferee court's "familiarity" with the case, which was gained entirely as a result of the erroneous jurisdiction and transfer rulings themselves.

LIST OF PARTIES AND AFFILIATES

In addition to the parties listed in the caption, SGS-Thomson Microelectronics, S.A. and SGS-Thomson Microelectronics, S.r.L. were counterclaim defendants in the district court; neither was a party in the court of appeals.

Pursuant to S. Ct. Rule 29.1, the following are the parent companies and non-wholly owned subsidiaries of SGS-Thomson Microelectronics, Inc.:

SGS-Thomson Microelectronics, N.V.

Thorn EMI plc

Thomson-CSF.

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PETITION FOR A WRIT OF CERTIORARI

SGS-Thomson Microelectronics, Inc. ("SGS-Thomson"), hereby petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit.

OPINIONS BELOW

The opinions of the court of appeals (App., *infra*, 1a) are unreported. The court of appeals issued two opinions on July 14, 1994: (1) ruling on the merits of the transfer decision of the United States District Court for the Northern District of Texas and the summary judgment decisions of the United States District Court for the Central District of California and remanding the case (App. 1a-18a); and (2) ruling on the Central District of California's attorney's fee decision (App. 19a-20a). On August 26, 1994, in response to a non-party's motion to reissue the first of these opinions in precedential form, the Federal Circuit issued an errata sheet modifying the opinion in certain respects (App. 106a) and it denied the

motion (App. 105a). The revised order and opinion of the United States District Court for the Northern District of Texas on the transfer issue, entered November 12, 1991, is also unreported (App. 21a-26a). The decision and opinion of the court of appeals denying a petition for a writ of mandamus seeking review of the Texas district court's transfer ruling, entered February 11, 1992, is unreported (App. 27a-30a). Finally, the orders and opinions of the United States District Court for the Central District of California, entered February 9, 1993, March 4, 1993, May 10, 1993, and August 9, 1993, are not officially reported (App. 31a; 32a-42a; 43a-85a; 86a-104a); they do appear, however, at 29 U.S.P.Q.2d 1641.

JURISDICTION

The opinion and judgment of the court of appeals was entered on July 14, 1994. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

28 U.S.C. § 1404(a) states:

> For the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought.

28 U.S.C. § 1406(a) states:

> The district court of a district in which is filed a case laying venue in the wrong division or district shall dismiss, or if it be in the interest of justice, transfer such case to any district or division in which it could have been brought.

STATEMENT OF THE CASE

This Petition raises the single issue of whether the court of appeals erred in remanding this case to the United States District Court for the Central District of California, notwithstanding the court of appeals' express conclusion that the United States District Court for the

Northern District of Texas (where the plaintiff had filed its complaint) had erred in transferring the case to the Central District of California. The court of appeals held that remand to the Central District of California for the jury trial to which plaintiff was entitled was appropriate due to that court's "familiarity" with the case. In the process, the court of appeals wholly undermined the plaintiff's statutory right to proceed on its claims in the forum of its own choosing. App. 6a-7a.

1. Petitioner SGS-Thomson Microelectronics, Inc., is a Delaware corporation with its principal place of business in Carrollton, Texas, within the Northern District of Texas. On June 5, 1991, SGS-Thomson filed a one-count complaint in the Northern District of Texas claiming that International Rectifier Corporation ("IR") had infringed U.S. Patent No. 4,553,314 (the "'314 patent"). SGS-Thomson demanded a jury trial.

In August 1991, IR moved to dismiss for lack of personal jurisdiction or, in the alternative, to transfer the case to the Central District of California. In many patent cases, including this one, venue and personal jurisdiction are inextricably intertwined. The venue provision applicable to patent cases, 28 U.S.C. § 1400(b), permits suit "where the defendant resides," and a corporation resides "in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced," 28 U.S.C. § 1391(c). Thus, the question facing the courts below was whether IR was subject to personal jurisdiction in the Northern District of Texas. *See* App. 3a-7a; 21a-23a.

SGS-Thomson opposed IR's motion, arguing, among other things, that IR indisputably sold, within the Northern District of Texas, devices manufactured using a process alleged to infringe the '314 patent. Therefore, SGS-Thomson contended, IR had directed its activities toward Texas and had committed acts of infringement within the

district under 35 U.S.C. § 271(g)[1] and, as a result, IR was subject to specific personal jurisdiction (and venue was proper) in that district.

In a Revised Memorandum Opinion and Order dated November 12, 1991, the District Court for the Northern District of Texas held that it lacked specific personal jurisdiction over IR. App. 21a-26a. The court reasoned that section 271(g) was irrelevant to personal jurisdiction, and therefore the court did not consider IR's sales of infringing products within the District to be sufficient minimum contacts to support personal jurisdiction. The court ordered the case transferred to the Central District of California, where IR has its headquarters, pursuant to 28 U.S.C. § 1406(a). App. 25a-26a.

2. Following the Northern District of Texas' transfer order and before the actual transfer, SGS-Thomson requested that the district court certify the jurisdiction and venue issues for interlocutory appeal pursuant to 28 U.S.C. § 1292(b). That request was denied. SGS-Thomson thereafter petitioned the United States Court of Appeals for the Federal Circuit for a writ of mandamus. In an unpublished order dated February 11, 1992, the court of appeals wrote that "the question of whether venue could lie in Texas is not without difficulty," but denied the petition on the basis that " 'the remedy of mandamus is "strong medicine" to be reserved for the most serious and critical ills, [and that] the case [may not be] appropriate for mandamus, even though on a normal appeal, a court might find reversible error.' " App. 29a (quoting *In re Cordis Corp.*, 769 F.2d 733, 737 (Fed. Cir.), *cert. denied*, 474 U.S. 851 (1985)).

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[1] The Process Patent Amendments Act of 1988, 35 U.S.C. § 271(g), provides that the sale of a product made using a patented process without a license is itself an act of infringement. Some cases decided prior to enactment of section 271(g) had held that a process patent is infringed only where the process is used and not where the resulting product is sold. SGS-Thomson's '314 patent is a process patent.

3. After denial of the writ, the case was transferred to the Central District of California in April 1992, where it was assigned to Chief Judge Manuel L. Real. In June 1992, SGS-Thomson filed an amended complaint, again alleging infringement of the '314 patent and also alleging that IR had infringed U.S. Patents Nos. 4,495,513 and 4,712,127 (respectively the "'513" and "'127" patents).

Following some pretrial discovery, the District Court for the Central District of California granted two of IR's several motions for summary judgment. On March 4, 1993, the court found that SGS-Thomson lacked standing to sue on the '513 and '127 patents because those patents had been assigned to SGS-Thomson by two sister companies without adequate consideration or otherwise were "sham" assignments. App. 34a-42a. On May 10, 1993, the court granted summary judgment to IR on SGS-Thomson's claim for infringement of the '314 patent, holding as a matter of law that seven individuals—six patent attorneys and an inventor—acting independently of one another, had each intentionally concealed the same prior art patent from the Patent Office and thus had engaged in inequitable conduct in procuring the '314 patent. App. 45a-83a. The court entered its judgment on May 10, 1993. App. 84a-85a. Based on these two summary judgment rulings, the district court later awarded IR over $2.1 million in attorney's fees under 35 U.S.C. § 285, which permits fee awards in "exceptional" cases brought under the patent laws. App. 86a-104a. After the entry of judgment and after the ruling on attorney's fees, SGS-Thomson noticed timely appeals to the United States Court of Appeals for the Federal Circuit.

4. On appeal, the Federal Circuit overturned the decisions of the Texas and California district courts in all material respects. On the merits of SGS-Thomson's three patent infringement claims, the court of appeals held that summary judgment had been improperly entered for IR.

First, the court of appeals held that SGS-Thomson did have standing to sue for infringement of the '513 and '127 patents. The court held that the district court's conclusion that the assignments were not supported by adequate consideration ignored "well-established" contract law and "improper[ly]" contradicted Federal Circuit precedent. App. 9a-10a (citing *Vaupel Textilmaschinen KG v. Meccanica Euro Italia S.p.A.*, 944 F.2d 870, 875 (Fed. Cir. 1991)). Similarly, the district court's emphasis on the assignors' retention of an interest in infringement damages and the possibility of a transfer back to the assignors ignored decisions of this Court and the Federal Circuit holding that such facts do not undercut the effectiveness of a patent assignment. App. 10a-11a. Finally, the Federal Circuit concluded that the district court had improperly "created a new requirement, not found in any case law, that a patent assignment must have an 'independent business purpose.'" App. 11a.

Second, the court of appeals overturned the Central District of California's grant of summary judgment in IR's favor on IR's claim that the '314 patent had been procured through inequitable conduct. In its ruling, the district court had found that certain elements of the '314 invention, although not expressly disclosed, were "inherent" in the disclosure of a prior art patent. App. 60a, 64a; *compare* App. 13a. But, "[i]n reaching this conclusion, the court resolved a material issue of fact against SGS, a result that is improper on summary judgment in the face of the contrary evidence." App. 13a-14a. Similarly, based on its analysis of the evidence in the record with respect to knowledge and intent, the court of appeals held that "we do not see how the district court could have properly granted summary judgment in IR's favor." App. 15a. In a separate opinion, the court of appeals also overturned the district court's fee award in IR's favor. App. 19a-20a.

5. On the question whether the case had been properly brought in the Northern District of Texas, the court

of appeals held that IR was subject to personal jurisdiction in the Northern District and that venue therefore had been properly placed there. Contrary to the Texas district court's ruling (App. 3a), the Federal Circuit in its July 14 opinion (later amended) held that "[t]he 1988 enactment of 35 U.S.C. § 271(g) *made clear* that each *sale* of a product made using a patented process is an act of infringement." App. 3a (first emphasis added).[2] After reviewing the undisputed facts and the applicable case law, the court concluded that "[t]he evidence establishes that IR has purposefully directed activities at Texas with the intent of benefitting from the sale of products that SGS alleges were made in violation of the '314 patent. In short, IR's actions are sufficient to subject it to personal jurisdiction in the Northern District of Texas." App. 5a. Moreover, the court of appeals held, "[a]lternatively, IR's contacts with Texas were sufficient to subject it to specific personal jurisdiction under the stream of commerce doctrine." App. 5a (relying on *Irving v. Owens-Corning Fiberglas Corp.*, 864 F.2d 383, 385 (5th Cir.), *cert. denied*, 493 U.S. 823 (1989), and *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 297-98 (1980)).

SGS-Thomson had argued in its briefs on appeal that, if the court found venue and jurisdiction proper in Texas and if the case required remand for further proceedings, the case must be returned to the Northern District of Texas, where SGS-Thomson had filed its complaint. Nevertheless, despite its holding that "the District Court for the Northern District of Texas erred in transferring the case to the Central District of California" (App. 6a),

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[2] On August 26, 1994, the Federal Circuit issued an errata sheet replacing its references to section 271(g) with references to 35 U.S.C. § 271(a), despite the fact that neither the district court's ruling nor the arguments of the parties on appeal made any reference to that statute. App. 106a. The errata was issued in response to a non-party's motion to reissue the opinion in a precedential form because it was the first Federal Circuit decision addressing the scope of section 271(g). *See* App. 105a.

the court of appeals declined to send the case back to the Northern District of Texas and instead remanded the case to the Central District of California. The court wrote:

> Because we find the error harmless, and because judicial economy would be served by transferring the case back to a court already familiar with the patents and technology at issue in this case, we reverse and remand to the Central District of California for further proceedings with respect to the infringement claims.

App. 6a-7a.

REASONS FOR GRANTING THE PETITION

The Federal Circuit's decision in this case creates a conflict among the circuits and raises an issue of fundamental importance: whether a case that has been held on appeal to have been improperly transferred due to a legally erroneous ruling with respect to personal jurisdiction may nevertheless be returned to the transferee court for further pretrial proceedings and jury trial without regard for the plaintiff's original choice of a forum in which jurisdiction was proper. The Federal Circuit's decision to perpetuate the legally erroneous jurisdiction and transfer rulings flies in the face of the principle, recognized by this Court on numerous occasions, that the federal courts must accord a plaintiff who properly invokes the jurisdiction of a court in its own locale a strong presumption in favor of that forum. The court of appeals disregarded that presumption—indeed, described the total loss of the plaintiff's right to a jury trial in its chosen forum as "harmless" (App. 6a)—solely because of the "familiarity" of the transferee court with the case, a "familiarity" that existed only because the case had been erroneously transferred in the first place.

The Federal Circuit's decision squarely conflicts with the decision of the Fourth Circuit in *Southern Railway*

Co. v. Madden, 235 F.2d 198 (4th Cir.), *cert. denied*, 352 U.S. 953 (1956). In that case, the Fourth Circuit reversed a trial court's judgment on the merits and its ruling on a motion for transfer, much as the Federal Circuit did here. In contrast to the Federal Circuit's decision, the Fourth Circuit ordered that on remand the case should be transferred for trial to the court in which it should have proceeded in the first instance, despite the fact that two trials already had taken place in the original court. The original court's obvious familiarity with the case did not affect the Fourth Circuit's decision to correct the erroneous ruling on the transfer motion, and should not have affected the decision here. The Federal Circuit's decision also conflicts with the decision of the First Circuit in *Codex Corp. v. Milgo Electronic Corp.*, 553 F.2d 735 (1st Cir.), *cert. denied*, 434 U.S. 860 (1977), which held that a district judge's familiarity with the subject matter of an action was "more a negative than an affirmative reason for transfer." *Id.* at 739.

What makes these conflicts intolerable is that the Federal Circuit's approach creates a "Catch-22" situation in which immediate review of a legally erroneous ruling with respect to jurisdiction and transfer is denied in favor of subsequent appeal, but such an appeal is then deemed, in effect, to be too late to correct the undisputed error. SGS-Thompson attempted without success to obtain immediate review of the jurisdiction and transfer rulings. The Texas district court declined to certify the issues for interlocutory appeal, and the Federal Circuit declined to review the rulings by writ of mandamus, reasoning in part that the issues could be addressed in a subsequent appeal on the merits. As a result of these decisions, the case proceeded on the merits in the transferee court. As was virtually inevitable, the transferee court then gained precisely the "familiarity" with the case that the Federal Circuit subsequently held prevented remand to the jurisdictionally-proper forum chosen by the plaintiff. If that error-induced familiarity can prevent correction of the original

error, rulings with respect to jurisdiction and transfer will occupy an anomalous position in which legal error may be recognized but never rectified, despite a party's use of every available means to obtain prompt, effective review.

Such an anomaly would be disturbing in any circuit, but is particularly troubling in the Federal Circuit because that is a court of national jurisdiction which reviews the decisions of district courts throughout the country. If the Federal Circuit's decision is not corrected, patent owners faced with erroneous jurisdiction and transfer decisions will effectively be deprived of their right to proceed in the forum of their choosing. If the Federal Circuit's decision, rather than the Fourth Circuit's decision, is followed elsewhere, all federal plaintiffs faced with such erroneous rulings will be deprived of that right.

The court of appeals did not identify the source of its claimed authority to remand the case to the Central District of California and thus override the plaintiff's choice of forum. That authority cannot derive from 28 U.S.C. § 1406(a), the provision by which the Texas district court initially effected the transfer. Section 1406(a) "provides for transfer from forums in which venue is wrongly or improperly laid," *Van Dusen v. Barrack*, 376 U.S. 612, 634 (1964), and the court of appeals explicitly held that personal jurisdiction and venue were both proper in the Northern District of Texas.[3] Nor is the Federal Circuit's decision authorized by 28 U.S.C. § 1404(a), which "operates on the premise that the plaintiff has properly exercised his venue privilege." *Van Dusen*, 376 U.S. at 634.[4]

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[3] For that reason, 28 U.S.C. § 1631, which permits transfer of cases filed where jurisdiction is lacking, also cannot apply here.

[4] Although section 1404(a) speaks only of transfers by "district court[s]," the courts of appeals have the authority in "unusual" cases to use that section to order transfer between district courts. *See Koehring Co. v. Hyde Construction Co.*, 382 U.S. 362, 365 (1966) (per curiam). The Federal Circuit did not purport to invoke that

Neither section 1404(a) nor the doctrine of *forum non conveniens*, section 1404(a)'s common law predecessor, permits a plaintiff's choice of a forum in which jurisdiction and venue are proper to be wholly disregarded.

1. The court of appeals' decision conflicts with the fundamental policy, deeply rooted in litigation throughout this country, that a plaintiff's choice of a proper forum in which to litigate must be respected. This strong presumption has been identified in this Court's cases (and the cases of the courts of appeals) arising under the doctrine of *forum non conveniens*, under section 1404(a) generally, and in cases addressing the choice of law rules applicable to transferred cases.

Before Congress enacted section 1404(a), the doctrine of *forum non conveniens* was the only means by which a court could decline to hear a case which was properly before it and which it thought would be better brought elsewhere. In its *forum non conveniens* decisions, this Court made clear that, where jurisdiction and venue were proper, a plaintiff was entitled to litigate in its chosen forum unless the combination of private and public factors in favor of transfer to another forum weighed "strongly in favor of the defendant." *Gulf Oil Corp. v. Gilbert*, 330 U.S. 501, 508 (1947).

> Where there are only two parties to a dispute, there is good reason why it should be tried in the plaintiff's home forum if that has been his choice. He should not be deprived of the presumed advantages of his home jurisdiction except upon a clear showing of facts which either (1) establish such oppressiveness and vexation to a defendant as to be out of all proportion to plaintiff's convenience, which may be shown to be slight or nonexistent, or (2) make trial in the chosen forum inappropriate because of considerations affecting the court's own administrative

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authority here, nor is this the sort of "unusual" case described in *Koehring Co.*

> and legal problems. In any balancing of conveniences, a real showing of convenience by a plaintiff who has sued in his home forum will normally outweigh the inconvenience the defendant may have shown.

Koster v. Lumbermens Mutual Casualty Co., 330 U.S. 518, 524 (1947). In the words of *Koster*'s companion case, "unless the balance is strongly in favor of the defendant, the plaintiff's choice of forum should rarely be disturbed." *Gulf Oil*, 330 U.S. at 508; *see also Piper Aircraft Co. v. Reyno*, 454 U.S. 235, 255 (1981) ("there is ordinarily a strong presumption in favor of the plaintiff's choice of forum, which may be overcome only when the private and public interest factors clearly point towards trial in the alternative forum").

Under 28 U.S.C. § 1404(a) as well, this Court has recognized the continued importance of the plaintiff's choice of forum. *See Norwood v. Kirkpatrick*, 349 U.S. 29, 32 (1955) (although under section 1404(a) a court's discretion is broader, "[t]his is not to say that the relevant factors have changed or that the plaintiff's choice of forum is not to be considered"). The courts of appeals likewise uniformly apply a strong presumption in favor of the plaintiff's choice. *See In re Scott*, 709 F.2d 717, 720 (D.C. Cir. 1983) ("[i]n reaching its decision, a court must give due regard to the factors traditionally associated with the doctrine of *forum non conveniens*, including the plaintiff's choice of forum"); *A. Olinick & Sons v. Dempster Bros., Inc.*, 365 F.2d 439, 444 (2d Cir. 1966) ("plaintiff's choice of venue is still entitled to substantial consideration"); *Shutte v. Armco Steel Corp.*, 431 F.2d 22, 25 (3d Cir. 1970) ("It is black letter law that a plaintiff's choice of a proper forum is a paramount consideration in any determination of a transfer request"), *cert. denied*, 410 U.S. 910 (1971); *Texas Eastern Transmission Corp. v. Marine Office-Appleton & Cox Corp.*, 579 F.2d 561, 567 (10th Cir. 1978) ("Plaintiff's choice is also given considerable weight"); *FDIC v.*

Citizens Bank & Trust Co., 592 F.2d 364, 368 (7th Cir.), *cert. denied*, 444 U.S. 829 (1979).[5]

The strength of the presumption in favor of the plaintiff's forum choice is demonstrated by *Van Dusen v. Barrack*, 376 U.S. 612 (1964), and *Ferens v. John Deere Co.*, 494 U.S. 516 (1990), in which the Court held that the transferor court's law, including its choice of law rules, applied to a case following transfer. In *Van Dusen v. Barrack*, the Court held that a transfer initiated by the defendant should not, by changing the law which applied to the case, "narrow the plaintiff's venue privilege" or remove the "advantages that might accrue from the exercise of this venue privilege." 376 U.S. at 635. In *Ferens*, the Court held that the same rule applied, even where it was the plaintiff who initiated the transfer under section 1404(a). 494 U.S. at 525-26.

2. The court of appeals here completely ignored the fact that SGS-Thomson had properly invoked the jurisdiction of the Northern District of Texas and was thus presumptively entitled to litigate in the forum of its choosing; instead, the court remanded the case to the Central District of California, stating only that it found "the error harmless [and that] judicial economy would be served by transferring the case back to a court already familiar with the patents and technology at issue." App. 6a-7a. The foregoing cases make clear that consideration of the plaintiff's choice of a proper forum is mandatory, not simply a factor which may or may not be considered in the court's discretion. *See also FDIC v. Citizens Bank*

[5] In the rare cases in which this Court has discounted the significance of the plaintiff's choice of forum, it has done so only because the plaintiff chose a forum other than its home, *see, e.g., Gulf Oil*, 330 U.S. at 509-10; *Piper Aircraft Co.*, 454 U.S. at 255-56, or because the precise cause of action being asserted could have been brought by any one of hundreds of potential plaintiffs with a variety of different homes, thus weakening the claim of any one plaintiff for trial in his or her home forum, *see, e.g., Koster*, 330 U.S. at 524 (shareholder derivative suit).

& Trust Co., supra, 592 F.2d at 368 ("the trial court must give some weight to the plaintiff's choice of forum"); *Pasco International (London), Ltd. v. Stenograph Corp.*, 637 F.2d 496, 501 (7th Cir. 1980) ("[T]he plaintiff has an interest in the forum granted by federal law and chosen by him. To outweigh the plaintiff's choice some additional interest of the absent person, the other parties or the judicial system must be found.").

Nothing in this record provides any basis for disregarding SGS-Thomson's decision properly to invoke the jurisdiction of the Northern District of Texas. SGS-Thomson's principal place of business is in the Northern District of Texas. It has an interest, in its convenience and its community, in litigating in that district. The court of appeals' statement that the jurisdiction and transfer error was "harmless" is thus wrong, as well as beside the point. It is wrong because a plaintiff who properly invokes the jurisdiction of a court has a statutory right to pursue its claims in the forum of its choice before a jury drawn from that community; depriving a plaintiff of that right can never be "harmless." It is beside the point because SGS-Thomson was not seeking to have any decision of the California district court reversed due to the erroneous transfer from the Northern District of Texas. Rather, it was seeking a remand to the Texas district court for the remaining necessary discovery and pretrial proceedings and for the trial by jury of its patent infringement claims.

Furthermore, the court of appeals' rationale, that the California district judge had acquired expertise or familiarity with the case, cannot justify remand to that court. First, that expertise was created only by virtue of the erroneous transfer. To use that as justification for continuing the case in California is a bootstrap argument that merely compounds the original error and makes it virtually unreviewable. In the face of far more extensive proceedings in the original forum, the Fourth Circuit in *Southern Railway, supra,* nevertheless ordered transfer

on remand to the proper forum, in which no proceedings had yet taken place. SGS-Thomson had argued this authority to the court of appeals, but that court ignored the Fourth Circuit's decision and ruled in direct conflict with it.

Second, whether transfer of a case can be ordered simply because of a single judge's expertise or familiarity with the case is itself an issue as to which the circuits are in conflict. In two cases, the courts of appeals relied in part on a judge's familiarity with a case to conclude that section 1404(a) permitted the transfer of cases, for trial on the merits, to the judge who had been assigned to handle pretrial matters by the Judicial Panel on Multidistrict Litigation. *See In re Fine Paper Antitrust Litigation,* 685 F.2d 810, 818-20 (3d Cir. 1982), *cert. denied,* 459 U.S. 1156 (1983); *Pfizer, Inc. v. Lord,* 447 F.2d 122, 125 (2d Cir. 1971). By contrast, as noted above, the First Circuit has held, in reasoning directly contrary to that of the Federal Circuit in this case, that transfer is not justified solely to place a case before a judge who, in prior litigation, had developed a familiarity with the patents in question. Instead, in the First Circuit's view, that familiarity argues against transfer. *Codex Corp. v. Milgo Electronic Corp., supra,* 553 F.2d at 739.[6]

3. Finally, the court of appeals' decision makes it impossible for plaintiffs to receive adequate relief when a district court transfers a case due to a legally erroneous ruling with respect to personal jurisdiction or venue. Un-

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[6] Although other litigation between SGS-Thomson and IR is pending in the Central District of California, that litigation is unrelated to the present case and does not involve the patents at issue here. Thus, unlike the situations in *In re Fine Paper, supra,* and *Pfizer, Inc. v. Lord, supra,* there is no possibility here of consolidating related cases or conducting a single trial instead of several. *See Van Dusen,* 376 U.S. at 644 (related litigation in transferee district and possible benefits of consolidation are factors in favor of transfer under section 1404(a)); *A.J. Industries, Inc. v. U.S. Dist. Court for Central Dist. of California,* 503 F.2d 384, 389 (9th Cir. 1974); *Codex Corp., supra,* 553 F.2d at 739.

der the decision in this case, a plaintiff cannot prevail on a petition for writ of mandamus unless the district court's error is such that "no rational or substantial legal argument can be made to support its ruling." App. 29a. And, a plaintiff cannot receive relief on a "normal appeal" (App. 29a) because the transferee court necessarily will have acquired experience and familiarity with the case. Section 1406(a) itself was enacted to "avoid[] the injustice which had often resulted to plaintiffs from dismissal of their actions merely because they had made an erroneous guess with regard to the existence of some elusive fact of the kind upon which venue provisions often turn." *Goldlawr, Inc. v. Heiman,* 369 U.S. 463, 466 (1962). The court of appeals' analysis is contrary to this spirit, and in fact recreates for a class of cases the harshness section 1406(a) was intended to avoid. Under the decision here, a plaintiff seeking complete review of a transferring district court's legal ruling would have to insist upon a dismissal and appeal, risking whatever "statute of limitation[]" or other costs might arise from this strategy. *Cf. id.*

In *Bankers Life & Casualty Co. v. Holland,* 346 U.S. 379, 382 (1953), this Court denied a petition for a writ of mandamus to correct an allegedly improper transfer under section 1406(a) in part because the decision was "reviewable upon appeal after final judgment." The court of appeals' decision effectively takes away that right to review.

The effect of the Federal Circuit's approach is therefore to encourage defendants to file transfer motions in all cases. If a district court can be persuaded to transfer a case, even if that decision is manifestly erroneous, then the case will forever remain in the transferee court. Thus, all doubts about whether to seek transfer if the defendant is unhappy with the plaintiff's choice of forum will be resolved in favor of filing a motion. A rule that encourages such procedural gamesmanship warrants review by this Court.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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APPENDIX

APPENDIX

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

93-1386, -1409

SGS-THOMSON MICROELECTRONICS, INC.,
Plaintiff-Appellant,

v.

INTERNATIONAL RECTIFIER CORPORATION,
Defendant-Cross-Appellant.

DECIDED: July 14, 1994

Before MICHEL, PLAGER and RADAR, *Circuit Judges.*

MICHEL, *Circuit Judge.*

DECISION

This appeal presents for review three rulings entered in a patent infringement suit filed by SGS-Thomson Microelectronics, Inc. (SGS) against International Rectifier Corporation (IR). First, the United States District Court for the Northern District of Texas in *SGS-Thomson Microelectronics, Inc. v. International Rectifier Corp.*, No. 4-91-408-A, slip op. at 7 (N.D. Tex. Nov. 12, 1991), transferred this action to the Central District of California under 28 U.S.C. § 1406(a) because the court found that IR was not subject to personal jurisdiction in the Northern District of Texas and therefore venue did not

properly lie there. Second, the United States District Court for the Central District of California in *SGS-Thomson Microelectronics, Inc. v. International Rectifier Corp.*, No. CV-92-2202-R, slip op. at 2 (C.D. Cal. Mar. 4, 1993), entered summary judgment in favor of IR, dismissing for lack of standing SGS's claims for infringement of two patents assigned to SGS by affiliated companies on the ground that the assignments were shams. The two patents involved are United States Patent No. 4,495,513 (the '513 patent) and United States Patent No. 4,712,127 (the '127 patent). Third, in the same action, slip op. at 2 (C.D. Cal. May 5, 1993), the district court entered summary judgment in favor of IR on SGS's claim for infringement of a third patent, United States Patent No. 4,553,314 (the '314 patent), on the ground that the patent had been procured through inequitable conduct.

SGS appeals the rulings of both district courts. In addition, IR cross-appeals the California district court's denial of summary judgment that the '314 patent is anticipated by or rendered obvious in view of certain prior art.

For the reasons discussed below, we (1) *reverse* the Texas district court's decision to transfer this case to the Central District of California and *remand* this action to the Central District of California for further proceedings; (2) *vacate* the California district court's entry of summary judgment dismissing for lack of standing SGS's claims for infringement of the '513 and '127 patents; (3) *vacate* the California district court's entry of summary judgment in favor of IR on SGS's claim for infringement of the '314 patent because of inequitable conduct; and (4) *affirm* the denial of summary judgment that the '314 patent is invalid. We also reprimand the parties for citing as precedent a nonprecedential case in violation of Federal Circuit Rule 47.6(b).

DISCUSSION

I. *Personal Jurisdiction and Venue.*

A district court's determination regarding personal jurisdiction is a question of law, reviewable *de novo* where, as here, the facts are not disputed. *Bullion v. Gillespie,* 895 F.2d 213, 216 (5th Cir. 1990). A nonresident defendant is amenable to personal jurisdiction in a federal district court if (1) the defendant is within the reach of the forum state's long-arm statute, and (2) due process is satisfied. *Id.* at 215. Because the Texas long-arm statute extends to the limits of due process, *id.,* the sole inquiry here is whether due process requirements are met. Under the federal due process standard, IR is subject to personal jurisdiction so long as it has "certain minimum contacts with [the forum] such that the maintenance of the suit does not offend 'traditional notions of fair play and substantial justice.' " *International Shoe Co. v. Washington,* 326 U.S. 310, 316 (1945). More specifically, IR was subject to personal jurisdiction in Texas so long as (1) it had "minimum contacts" with Texas, and (2) requiring it to defend in Texas was not unfair or unreasonable. *See Gulf Consol. Servs., Inc. v. Corinth Pipeworks, S.A.,* 898 F.2d 1071, 1073 (5th Cir.), *cert. denied,* 498 U.S. 900 (1990).

SGS contends that the district court erred as a matter of law in considering only the place where IR allegedly *used* SGS's patented process (California), rather than where IR *sold* the allegedly infringing products (Texas). The 1988 enactment of 35 U.S.C. § 271(g) made clear that each *sale* of a product made using a patented process is an act of infringement.

Had the district court, as required by section 271(g), considered where IR sold the allegedly infringing products, SGS argues that the district court would have found ample evidence of sufficient contacts between IR and Texas. After all, IR actively solicited sales in Texas (in-

cluding in the Northern District), set up sales and distribution networks designed to serve the forum, and sold products made by the allegedly infringing process to customers in the forum.[1] IR had nine authorized distributors in Texas, including four in the Northern District, an exclusive sales representative with its principal office in the Northern District, admitted annual sales in the District on the order of $1,000,000, and employees who made monthly visits to Texas to call on customers and assist with distributor training.

Contrary to SGS's allegation, the fact that IR had no offices or other physical facilities in Texas does not overcome the contacts described above. *See Burger King Corp. v. Rudzewicz,* 471 U.S. 462, 476 (1985); *see also International Shoe Co.,* 326 U.S. at 313, 320 (company with no physical presence in Washington, which sold products there through agents, is subject to jurisdiction).

Nor does the fact that IR uses "independent" distributors and sales representatives, retains the right to approve sales at its offices, and ships products so that title passes upon delivery to a carrier change the result. *See Oswalt v. Scripto,* 616 F.2d 191, 197 n.8 (5th Cir. 1980) ("[J]urisdiction does not depend on the technicalities of when title passes. A manufacturer can be subjected to in personam jurisdiction as a result of a distribution system employing wholly independent wholesalers as well as one employing its own corporate apparatus."); *see also International Shoe,* 326 U.S. at 314 (fact that company retained right to approve all sales at office in St. Louis, and shipped products f.o.b. from points outside Washington, did not remove jurisdiction from Washington courts).

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[1] IR disagrees, and argues that it sold its products to independent distributors *in California* who in turn sold them to customers *in Texas.* IR, however, also sold accused products to distributors located in Texas, knowing and intending that they would sell those products to Texas customers. Thus, for jurisdictional purposes, the technical location of IR's sales transactions is not relevant.

Similarly, the fact that IR's sales in the Northern District of Texas were less than 1% of its total sales for fiscal year 1991 is immaterial. *Vault Corp. v. Quaid Software, Ltd.*, 775 F.2d 638, 640, 228 USPQ 139, 141 (5th Cir. 1985) (510 sales in forum, totaling $2,968, representing 0.3% of defendant's total sales of product were sufficient to establish that its relationship with forum was not "random," "fortuitous" or "attenuated"). The evidence establishes that IR has purposefully directed activities at Texas with the intent of benefitting from the sale of products that SGS alleges were made in violation of the '314 patent. In short, IR's actions are sufficient to subject it to personal jurisdiction in the Northern District of Texas. *See Burger King*, 471 U.S. at 472-76.

Alternatively, IR's contacts with Texas were sufficient to subject it to specific personal jurisdiction under the stream of commerce doctrine. When a manufacturer such as IR "delivers its products into the stream of commerce with the expectation that they will be" sold in the forum state, the minimum contacts test is satisfied, provided that " 'the defendant's conduct and connection with the forum State are such that [it] should reasonably anticipate being haled into court there.' " *Irving v. Owens-Corning Fiberglass Corp.*, 864 F.2d 383, 385 (5th Cir.), *cert. denied*, 493 U.S. 823 (1989) (*quoting World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 297-98 (1980)).

In the present case, IR's conduct and connections with Texas fit this description. IR sells its products throughout the United States, conducts a national advertising campaign, and solicits customer inquiries and sales through a national toll-free telephone number. IR products, including substantial quantities of the accused products, are shipped to Texas, where they are sold to Texas customers. In short, IR entered its products into an unrestricted stream of commerce, expecting its products to be distributed throughout Texas. In so doing, IR " 'purposefully

availed' itself of the privilege of doing business" in Texas and should reasonably have anticipated having to defend a lawsuit there arising from its sales of accused products. *World-Wide Volkswagen,* 444 U.S. at 297.

IR responds that the Supreme Court did not intend to extend the application of the stream of commerce doctrine beyond cases of tort liability for defective products, and that the stream of commerce doctrine has "scant application" in patent infringement cases. Contrary to IR's contention, this doctrine has been applied as readily to intellectual property cases as to other cases. For example, in *Novacolor, Inc. v. American Film Technologies, Inc.,* 1992 WL 170564 (N.D. Ill. 1992), the court held that specific personal jurisdiction existed over an out-of-state manufacturer who sold through an in-state distributor products which allegedly infringed the plaintiff's process patent. *See also Beverly Hills Fan Co. v. Royal Sovereign Corp.,* 30 USPQ2d 1001 (Fed. Cir. 1994) (patent case in which the court applied the stream of commerce doctrine to subject defendant to personal jurisdiction; defendant's only contact with forum state occurred through shipping accused fan into the forum state via established distribution channels).

Because IR was subject to personal jurisdiction in the Northern District of Texas, venue was proper in that district. Under 28 U.S.C. § 1400(b), venue in a patent case is proper where the defendant "resides." Under 28 U.S.C. § 139[1](c), a corporate defendant resides where it is subject to personal jurisdiction. *VE Holding Corp. v. Johnson Gas Appliance Co.,* 917 F.2d 1574, 1578, 1584, 16 USPQ2d 1614, 1617, 1621 (Fed. Cir. 1990), *cert. denied,* 111 S. Ct. 1315 (1991). Accordingly, the District Court for the Northern District of Texas erred in transferring the case to the Central District of California. Because we find the error harmless, and because judicial economy would be served by transferring the case back to a court already familiar with the patents and technology

at issue in this case, we reverse and remand to the Central District of California for further proceedings with respect to the infringement claims.

IR further argues that, even if IR is subject to personal jurisdiction in Texas, this court has no jurisdiction over the appeal because IR's post-judgment motion for attorney fees under 35 U.S.C. § 285 constitutes a Rule 59(e) motion to alter or amend the final judgment which is at issue in this appeal. Federal Rule of Appellate Procedure (FRAP) 4(a)(4) provides that a "notice of appeal filed after . . . entry of judgment but before the disposition of [a Rule 59 motion to alter or amend the judgment] is ineffective. . . ." In the present case, IR filed its motion for attorney fees, which according to IR's argument now constitutes a Rule 59(e) motion to alter or amend the final judgment, after entry of final judgment but before the district court ruled on the motion for attorney fees.[2] In fact, as of the date SGS filed its brief, the district court still had not ruled on SGS's motion for attorney fees. As such, IR contends that SGS's first notice of appeal is ineffective pursuant to FRAP 4(a)(4), and this court lacks jurisdiction over this appeal.

The Supreme Court, however, has made it clear that a decision on a motion for attorney fees is not a Rule 59(e) motion. *Budinich v. Becton Dickinson & Co.*, 486 U.S. 196, 200 (1988) (*citing White v. New Hampshire Dep't of Employment Security*, 455 U.S. 445, 451 (1982)) ("a request for attorney's fees under 42 U.S.C. § 1988 is not a motion 'to alter or amend the judgment' within the meaning of Federal Rule of Civil Procedure 59(e)"). Although IR cites *Hairline Creations, Inc. v. Kefalas*, 664 F.2d 652, 659 (7th Cir. 1981), for the proposition that an attorney fee motion seeking an "exceptional case" determination requires the trial court to

[2] At the time, its motion for fees was not so titled or characterized.

reexamine the basis of the judgment and thus "leads inescapably to the conclusion that a post-judgment motion for attorney's fees is a motion to alter or amend the judgment," *Hairline* was decided by the Seventh Circuit before *Budinich* and *White* and hence has little precedential value. In any event, it is not binding precedent here, for Ninth Circuit procedure controls.

Moreover, the Supreme Court has explicitly held "that a decision on the merits is a final decision for purposes of immediate appeal, even though the recoverability or amount of attorney's fees [under 35 U.S.C. § 285] remains to be determined." *Newell Cos. v. Kenney Mfg. Co.*, 864 F.2d 757, 761 n.3, 9 USPQ2d 1417, 1420-21 n.3 (Fed. Cir. 1988), *cert. denied*, 493 U.S. 814 (1989) (*citing Budinich*, 486 U.S. at 200). *See also Budinich*, 486 U.S. at 202-03 (a decision on the merits is a final and appealable decision "whether or not there remains for adjudication a request for attorney's fees . . . ."). The fact that a party may incorrectly call its attorney fee motion a motion to alter or amend under Rule 59(e) does not affect an appellate court's jurisdiction over a previously filed appeal from the final judgment on the merits. *See Campbell v. Bowlin*, 724 F.2d 484, 487-88 (5th Cir. 1984) (*per curiam*) (even where post-judgment motion for attorney fees is improperly characterized as Rule 59(e) motion, previously filed notice of appeal remains operative). Thus, this court has jurisdiction to consider the appeal before us.

II. *Assignment.*

After the case was transferred to the Central District of California, SGS filed an amended complaint, which contained three claims: the original claim for infringement of the '314 patent, and claims for infringement of the '513 and '127 patents. The '513 and '127 patents had been assigned to SGS by two sister companies, SGS-Thomson Microelectronics, S.A. (SGS-France) and SGS-

Thomson Microelectronics, S.r.l. (SGS-Italy). IR moved for summary judgment with respect to the '513 and '127 patents, asserting that SGS lacked standing to enforce those patents on the ground that the assignments were sham. The district court granted IR's motion, and SGS now appeals.

To have standing to sue for infringement, a plaintiff must possess all substantial rights to the patent. *Bell Intercontinental Corp. v. United States,* 381 F.2d 1004, 1011 (Ct. Cl. 1967). IR does not dispute and the documents plainly provide that SGS-France assigned "its entire right, title and interest" in the '513 patent to SGS, and that SGS-Italy similarly assigned "its entire right, title and interest" in the '127 patent to SGS. IR also concedes that the assignments were properly executed and recorded with the PTO. Nevertheless, IR asserts that the assignments should be disregarded because "surrounding circumstances" demonstrate that they are "shams." See appellant's brief at 41. IR, however, has not produced any evidence that SGS did not receive the rights expressly conveyed.

Nor do the "surrounding circumstances" to which IR points support a finding of a sham assignment. First, IR's assertion that no consideration was given for the assignments is misplaced. Both assignments recite consideration given and received. *See* Appendix at 2902 and 2905. The '127 assignment specifically identified a cash payment of $10,000 as consideration, and it is undisputed that SGS made the full payment. Mr. Robinson testified that the consideration for both assignments (the '127 and the '513) also included SGS's agreement to continue to pay royalties to SGS-France and SGS-Italy pursuant to a pre-existing arrangement. *See* Appendix at 8496 and 8499-8500.

Although IR attempts to argue that the $10,000 cash payment was "nominal" or motivated by Italian legal requirements, it is well-established that "the law will not

inquire into the adequacy of consideration so long as the consideration is otherwise valid to support a promise." 3 *Williston on Contracts* § 7:21, at 383 (4th ed. 1992). In the present case, the $10,000 cash payment, as well as the agreement to continue royalty payments to SGS-France and SGS-Italy, appears "otherwise valid."

Moreover, the district court's failure to acknowledge the agreements to continue royalty payments following an assignment was improper. The Federal Circuit in *Vaupel Textilmaschinen KG v. Meccanica Euro Italia S.P.A.*, 944 F.2d 870, 875, 20 USPQ2d 1045, 1049 (Fed. Cir. 1991), *quoting Rude v. Westcott*, 130 U.S. 152, 162-63 (1889), noted with approval that the "retention of [a] portion of 'sales, royalties, or settlements, or other sources' does not limit the assignment of [the] patent," so long as the retention of royalty rights was not a reservation of a substantial right, such as "the right to exclude others from making, using or selling under the patent grant." In this case, as noted above, SGS-France and SGS-Italy assigned their "entire right, title and interest" in the patents to SGS, including their right to exclude others from making, using and selling their patented invention.

Nor does SGS's agreement to share infringement damages with SGS-Italy and SGS-France indicate that SGS did not receive all substantial rights to the '127 and '513 patents. Both this court and the Supreme Court have specifically held that an assignee's retention of an interest in infringement damages does not undercut the effectiveness of an assignment. *See Rude*, 130 U.S. at 163; *Vaupel*, 944 F.2d at 875.

Similarly, contrary to the district court's ruling, the agreement between SGS and SGS-France and SGS-Italy that SGS would assign the patents back at the conclusion of this litigation does not invalidate the assignments. This court and other courts have held that an assignment that explicitly provides for possible transfer back to the as-

signor is nevertheless effective to give the assignee standing. *See Vaupel,* 944 F.2d at 875 (explicit termination provisions in the agreement were "entirely consistent with an assignment"); *Discovery Rights, Inc. v. Avon Prods., Inc.,* 182 USPQ 396, 397-98 (N.D. Ill. 1974) (assignee's title to a patent was not called into question even though assignor retained right to reacquire title to the patent should the assignee desire to acquire new licensees). Moreover, in the present case, there is only an agreement to reassign the '513 and '127 patents, not an actual reassignment. Thus, SGS appears to have standing to sue.

Finally, the district court erred in granting summary judgment on the ground that the assignments of the '127 and '513 patents were shams because the sole purpose of the assignment was to facilitate litigation. In so ruling, the trial court ignored the express language in the assignments and in effect created a new requirement, not found in any case law, that a patent assignment must have an "independent business purpose." *See* Appendix at 66. The motive or purpose of a patent assignment is irrelevant to the assignee's standing to enforce the assigned patent. Even a motive solely and expressly to facilitate litigation "is of no concern to the defendant and does not bear on the effectiveness of the assignment." *Discovery Rights,* 182 USPQ at 398.

In *Rawlings v. National Molasses Co.,* 394 F.2d 645, 648, 158 USPQ 14, 16 (9th Cir. 1968), the Ninth Circuit assumed that the assignment between the plaintiff and the assignor "was accomplished for the sole purpose of permitting plaintiff to bring this action without joining [the assignor] . . . ." Nevertheless, the court rejected the argument that this motive made the assignment a sham, stating that "the purpose underlying [the assignment's] execution is of no concern to the defendants." *Id.*

Similarly, in *Seibert Cylinder Oil Cup Co. v. Phillips Lubricator Co.,* 10 Fed. 677 (Mass Cir. Ct. 1882), the court stated:

> The assignment to the plaintiffs was made an assignment, rather than a license, in order that they might sue in their own names—so the contracts recite; but there is no legal objection to this: the motive is not material, and, the whole legal title being in the plaintiffs, they may maintain this suit without joining the patentees.

Thus, for the foregoing reasons, we vacate the district court's grant of summary judgment, which was based upon the court's determination that SGS lacked standing to enforce the '127 and '513 patents because their assignments were sham.

III. *Inequitable Conduct.*

In response to SGS's claim of infringement of the '314 patent, IR raised the affirmative defense of inequitable conduct. IR also filed a motion for summary judgment, arguing that various patent attorneys as well as inventor T.C. Chan had engaged in inequitable conduct by failing to disclose United States Patent No. 3,913,126 (the Hooker patent) to the PTO. IR contended that each of these individuals knew of the Hooker patent because it had been cited during the prosecution of another patent, United States Patent No. 4,179,311 (the Athanas patent), in which each allegedly had been involved, and that Hooker was material to the '314 claims. SGS argued otherwise. The district court granted summary judgment in IR's favor on the inequitable conduct issue. On appeal, SGS contends that there are genuine issues of material fact as to the intent of the patent attorneys, the intent of the inventor, and the materiality of the undisclosed Hooker patent.

This court reviews the district court summary judgment decision *de novo*. *See, e.g., Paragon Podiatry Lab. v. KLM Labs.*, 984 F.2d 1182, 25 USPQ2d 1561 (Fed. Cir. 1993). Inequitable conduct requires a finding of both materiality of the undisclosed prior art and intent

to mislead the examiner. *Kingsdown Med. Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 872, 9 USPQ2d 1384, 1389 (Fed. Cir. 1988), *cert. denied*, 490 U.S. 1067 (1989). A piece of prior art is material if there is a "substantial likelihood that a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent." 37 C.F.R. § 1.56(a); *Halliburton Co. v. Schlumberger Technology Corp.*, 925 F.2d 1435, 1440, 17 USPQ2d 1834, 1839 (Fed. Cir. 1991). The test for materiality is not whether there is anticipation or obviousness. *See, e.g., A.B. Dick Co. v. Burroughs Corp.*, 798 F.2d 1392, 1397, 230 USPQ 849, 853 (Fed. Cir. 1986).

The invention claimed in the '314 patent teaches how to laterally undercut by etching with acid the insulating oxide layer to a depth that is equal to or greater than the thickness of the layer, and how to fill the undercut by growing oxide simultaneously from both the polysilicon layer and silicon water substrate of a semiconductor device at high temperatures to fill the undercut of the polysilicon gate layer.

IR admitted and the district court found that Hooker does not expressly disclose these elements. The district court determined, however, that these elements are disclosed in the Hooker patent by reason of their "inherency." [3] In reaching this conclusion, the court resolved

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[3] More specifically, although ST acknowledges that two elements of the '314 patent—lateral oxide undercutting in the specific dimension prescribed by the '314 claims and complete filling of the undercut—are not disclosed by Hooker, IR argues: (1) that undercutting is "incident to opening diffusion windows [by etching]," *see* Appendix at 25 n.16 and 7785; (2) that Hooker discloses the growth of an oxide at the precise step in the manufacturing process where the '314 patent grows oxide to fill the undercut; (3) that "it is general practice to over etch" and over etching would create an undercut "typically somewhat greater than the thickness of [the] thermal oxide layer," *see* Appendix at 4418; and (4) that

a material issue of fact against SGS, a result that is improper on summary judgment in the face of the contrary evidence. *See Continental Can Co. v. Monsanto Co.*, 948 F.2d 1264, 1268-69, 20 USPQ2d 1746, 1749-50 (Fed. Cir. 1991) (alleged inherency is an issue of fact), and *KangaROOS U.S.A., Inc. v. Caldor, Inc.*, 778 F.2d 1571, 1573, 228 USPQ 32, 33 (Fed. Cir. 1985) (trial court must view all evidence in a light most favorable to the nonmoving party and draw all inferences in favor of the nonmovant). Through the declarations of Dr. James A. Cunningham and Dr. T.C. Chan, SGS presented evidence specifically refuting the alleged "inherencies." *See* Appendix at 5251-55 and 5347-49. Dr. Cunningham explained that the Hooker process does not disclose an undercut of any particular depth and therefore does not disclose, by "inherency" or otherwise, the lateral undercut required by the claims of the '314 patent. Drs. Cunningham and Chan explained that the Hooker patent also does not disclose filling any such undercut by simultaneous growth of a substrate oxide and a peripheral edge polysilicon oxide because it contains no disclosure of the thickness of either the gate oxide or the thermally-grown oxide. At a minimum, these declarations raise genuine issues of material fact, making summary judgment inappropriate.

As to intent to deceive, it is difficult to tell whether any of the individuals accused of inequitable conduct possessed the requisite knowledge and intent. IR argues and the district court found that the patent attorneys knew about the materiality of the Hooker patent through their

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Hooker's Figure 7 shows the grown oxide to a depth sufficient to completely fill the undercut, *see* Appendix at 28 and 5252.

SGS concedes that Hooker inherently discloses: (1) an undercut in the oxide beneath the polysilicon gate; and (2) the growth of an oxide in that undercut. SGS adds, however, that Hooker does not disclose: (1) that the polysilicon gate is laterally undercut by the amount claimed in the '314 (*i.e.*, an amount at least equal to the thickness of the gate oxide layer); or (2) that the undercut has been *completely* filled with grown oxide.

involvement in the prosecution of the Athanas patent in which Hooker was cited as prior art. Yet, according to IR, these attorneys intentionally failed to disclose this reference to the examiner.

IR also contends that inventor Chan had the opportunity to review the Hooker patent in connection with the Athanas prosecution, was aware of its materiality, and also intentionally failed to disclose it to the PTO. SGS, of course, argues that neither the patent attorneys nor inventor Chan saw the relevance or connection between the Hooker patent and the '314 patent. Because both sides presented conflicting evidence, genuine issues of material fact remained, and we do not see how the district court could have properly granted summary judgment in IR's favor. Accordingly, we vacate the district court's ruling on the inequitable conduct issue.

IV. *Obviousness.*

Finally, IR cross-appeals the California district court's denial of summary judgment that the '314 patent is anticipated by or rendered obvious in view of the Hooker patent and Japanese Patent Application 47-2079 (the "NEC application").

A comparison of the process claimed in the '314 patent with the prior art reveals that the only step alleged to be new is the filling of the known undercut in the oxide under a polysilicon gate with a thermally *grown* oxide, rather than with a prior art *deposited* oxide. IR argues that, as a matter of law, that step was not new because it was inherent in the process disclosed in the prior art Hooker patent.

Before a reference can be found to disclose a feature by virtue of its inherency, one of ordinary skill in the art viewing the reference must understand that the unmentioned feature at issue is *necessarily* present in the reference. *Continental Can*, 948 F.2d at 1268-69, 20 USPQ2d at 1749-50. The test of inherency is not satisfied by what a reference "may" teach. *Id.*, 20 USPQ2d at 1749-50

("Inherency . . . may not be established by probabilities or possibilities. The mere fact that a certain thing *may* result from a given set of circumstances is not sufficient.") (emphasis added). SGS presented evidence from Drs. Chan and Cunningham that the Hooker patent would not have disclosed complete filling of the undercut. Thus, construing, as it must, all the evidence in a light most favorable to the nonmoving party, the district court properly denied summary judgment that the Hooker patent anticipated the '314 invention.

Nor does the NEC prior art reference anticipate the claimed invention. Although NEC expressly describes an undercut, specifies the precise lateral extent of the undercut claimed in the '314 patent and prescribes as the solution to the undercut problem the complete filling of the undercut with grown oxide, it is not enabling. NEC describes a process of filling an undercut by growing an oxide layer and then etching away that layer, leaving intact a supposed plug of the undercut. According to Dr. Cunningham, however, one of ordinary skill practicing the NEC process would not be able to effect a fill of the undercut.

After growing the oxide layer to plug the undercut, one skilled in the art performing the steps taught by NEC would need to etch the device a second time with acid to eliminate the oxide from the substrate surface. This second etching, however, would re-introduce undercut in the oxide layer underneath the gate. As Cunningham explained, the reason for this is that the oxide layer varies in thickness, and certain parts of the oxide layer, including the oxide plug which filled the original undercut, will necessarily be over-etched in order to ensure the complete removal of oxide from the substrate surface. Thus, the undercut would once again be left unfilled.

IR responds that NEC teaches more than the '314 by the addition of a second etching, and although NEC may have failed in its attempt to achieve a successful second etching, the NEC disclosure still anticipates each of the

process steps called for by the claims of the '314 patent (*i.e.*, it still teaches how to plug the undercut).

We disagree with IR's analysis. The NEC disclosure does not teach more than the '314 invention. In fact, it fails to teach even the claimed invention. The second etching is a necessary step in order to produce a plugged undercut and a clean substrate surface. Because the NEC process does not fully fill the undercut, it is not enabling to one skilled in the art and cannot anticipate the claimed invention. *Scripps Clinic & Research Foundation v. Genentech, Inc.*, 927 F.2d 1565, 18 USPQ2d 1001 (Fed. Cir. 1991).

Finally, IR contends that the '314 invention would have been obvious in view of Hooker and NEC. In order to render a claimed invention obvious, however, this court held in *Beckman Instruments v. LKB Produkter AB*, 892 F.2d 1547, 1551, 13 USPQ2d 1301, 1304 (Fed. Cir. 1989), that the prior art must enable one skilled in the art to make and use the invention. Even if there was a suggestion to combine the Hooker and NEC prior art references, construing all the evidence in a light most favorable to the nonmoving party as the district court must on summary judgment, these two disclosures do not enable one skilled in the art to make the claimed invention. Accordingly, the district court's denial of IR's summary judgment motion of invalidity based on anticipation and obviousness was proper.

V. *Citation to Nonprecedential Decision.*

Finally, both SGS and IR cited in their briefs the nonprecedential decision *Katz v. Lear Siegler, Inc.*, 1993 U.S. App. Lexis 17507 (Fed. Cir. July 12, 1993).[4] Not

[4] Although counsel for SGS stated in oral argument that he only cited the case in response to IR's citation of the case, we do not find this to be the case. SGS subsequently cited *Katz v. Lear Siegler, Inc.* for a wholly different, unrelated proposition than had IR. Thus, SGS is just as culpable as IR.

only do the citations of a nonprecedential case constitute clear violations of Federal Circuit Rule 47.6(b), but, as cited by the parties, they are miscitations because they do not acknowledge the nonprecedential status of the case. That is, they omit "(table)." At the very least, this is misleading to the court, and we condemn such behavior.

CONCLUSION

For the reasons articulated above, we (1) reverse the Texas district court's transfer of this case to California pursuant to 28 U.S.C. § 1406(a) and remand this action to the Central District of California for further proceedings; (2) vacate the District Court for the Central District of California's entry of summary judgment in favor of IR, dismissing for lack of standing SGS's claims for infringement of the '513 and '127 patents assigned to SGS by affiliated companies on the ground that the assignments were shams; (3) vacate the District Court for the Central District of California's entry of summary judgment in favor of IR on SGS's claim for infringement of the '314 patent on the ground that the patent had been procured through inequitable conduct; and (4) affirm the California district court's denial of summary judgment that the '314 patent is anticipated by or rendered obvious in view of certain prior art.

PLAGER, *Circuit Judge*, concurring.

I concur in and join parts II, III, IV, and V of the opinion, and in the decision to vacate and remand to the California District Court. With regard to the earlier transfer decision of the Texas District Court, I do not find that issue has been properly appealed to this court—see Order dated February 11, 1992 and 15 Charles A. Wright, et al., *Federal Practice and Procedure*, § 3846 (1986)—and would simply dismiss that aspect of the appeal.

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

93-1561

SGS-THOMSON MICROELECTRONICS, INC.,
Plaintiff-Appellant,

v.

INTERNATIONAL RECTIFIER CORPORATION,
Defendant-Appellee.

DECIDED: July 14, 1994

Before MICHEL, PLAGER and RADER, *Circuit Judges.*

MICHEL, *Circuit Judge.*

DECISION

After the United States District Court for the Central District of California disposed of all of plaintiff-appellant SGS-Thomson Microelectronics, Inc.'s (SGS) infringement claims on summary judgment, defendant-appellee International Rectifier Corporation (IR) petitioned to have over $2.1 million of its attorney fees and expenses shifted to SGS pursuant to 35 U.S.C. § 285. IR asserted that this case was "exceptional" because United States Patent No. 4,553,314 (the '314 patent) had been procured through inequitable conduct and because SGS's claims for infringment of United States Patent No. 4,495,513 (the '513 patent) and United States Patent No. 4,712,127 (the '127 patent) were baseless in that SGS allegedly knew that the assignments upon which it relied to claim standing to sue were ineffective. After

IR reduced its fee request by approximately $80,000 in response to errors pointed out by SGS, the district court found the case to be "exceptional" under section 285 based on both the inequitable conduct it had found with respect to the '314 patent and the "sham" assignments of the '513 and '127 patents. The court entered findings prepared by IR which shifted over $2.1 million of IR's attorney fees and expenses to SGS. *SGS-Thomson Microelectronics, Inc. v. International Rectifier,* No. CV-92-2202-R, slip op. at 2 (C.D. Cal. Aug. 5, 1993). SGS appeals, and we *vacate* and *remand.*

DISCUSSION

As explained in *SGS-Thomson Microelectronics, Inc. v. International Rectifier Corp.,* Nos. 93-1386 and 93-1409, the district court erred in granting summary judgment based on its inequitable conduct and the sham assignment rulings. Yet, the district court relied upon these summary judgment rulings to form the basis for the fee order. The law is clear, however, that a decision awarding fees to a "prevailing party" must be vacated when the underlying decision as to which that party prevailed below is reversed. *See, e.g., Baker Oil Tools, Inc. v. Geo Vann, Inc.,* 828 F.2d 1558, 1566, 4 USPQ2d 1210, 1216 (Fed. Cir. 1987) (attorney fee award vacated where underlying grants of summary judgment reversed). Although we vacated, rather than reversed the judgments based on the district court's rulings on the inequitable conduct and the sham assignment issues, the net result is that IR is no longer a "prevailing party." As such, we must vacate the district court's decision to shift $2.1 million of IR's attorney fees and expenses to SGS and remand the case to the trial court for a determination of whether for other reasons SGS's conduct was exceptional within the meaning of 35 U.S.C. § 285 and, if so, whether fee-shifting is warranted.

PLAGER, *Circuit Judge,* concurs in result but not remand.

[Filed Nov. 12, 1991]

IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION

Civil Action No. 4-91-408-A

SGS-THOMSON MICROELECTRONICS, INC.,
Plaintiff,

vs.

INTERNATIONAL RECTIFIER CORPORATION,
Defendant.

REVISED MEMORANDUM OPINION AND ORDER

Came on for consideration the motion of defendant, International Rectifier Corporation, to dismiss or transfer. The court, having reviewed the motion, the response of plaintiff, SGS-Thomson Microelectronics, Inc., the record, and applicable authorities, finds that the motion should be granted.

In this action, plaintiff alleges that defendant is infringing U.S. Patent No. 4,553,314, which relates to a process for making a portion of a semiconductor device ("314 patent"). All the claims are devoted to the method of making the device and not to the device itself. Defendant has moved to dismiss pursuant to Fed. R. Civ. P. 12(b)(2) for lack of personal jurisdiction, claiming that it has only *de minimis* contacts with Texas and that none of its contacts are related to this lawsuit. In the alternative, defendant prays that the court either dismiss this action for improper venue or transfer the action to the Central District of California, where defendant's principal place of business is located.

In patent infringement suits, venue is afforded by 28 U.S.C. § 1400(b), to wit:

> Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.

Residence for venue purposes is now governed by 28 U.S.C. § 1391(c), which provides that a corporate defendant is deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced. *VE Holding Corp. v. Johnson Appliance Co.*, 917 F.2d 1574, 1584 (Fed. Cir. 1990), *cert. denied*, 111 S. Ct. 1315 (1991). Thus, the issue of venue is inextricably intertwined with the issue of personal jurisdiction where, as here, the defendant does not have an established place of business in the forum district. An appropriate starting point in the court's analysis is to determine whether defendant's person is subject to the court's jurisdiction.

When a nonresident defendant presents a motion to dismiss for lack of personal jurisdiction, the plaintiff bears the burden of establishing that *in personam* jurisdiction exists. *Stuart v. Spademan*, 772 F.2d 1185, 1192 (5th Cir. 1985).

In this patent action, personal jurisdiction over the nonresident defendant may be exercised if (1) the nonresident defendant is amenable to service of process under the law of the forum state, and (2) the exercise of jurisdiction comports with the due process clause of the Fifth Amendment.[1] *Max Daetwyler Corp. v. R. Meyer*, 762

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[1] The same minimum contacts test applies under both the Fifth and Fourteenth Amendments where there is no federal statute authorizing nationwide service of process. *Max Daetwyler Corp.*, 762 F.2d at 293; *Whistler Corp. v. Solar Electronics, Inc.*, 684 F. Supp. 1126, 1128-29 (D. Mass. 1988). Accordingly, the court cites to Fourteenth Amendment cases herein as appropriate.

F.2d 290, 293 (3d Cir.), *cert. denied*, 474 U.S. 980 (1985). Because the Texas long-arm statute has been interpreted to extend to the limits of due process,[2] the court need only inquire whether exercise of jurisdiction over defendant would be constitutionally permissible. *Id.*

For the due process requirement of the personal jurisdiction test to be met, (1) the nonresident defendant must have "minimum contacts" with the forum state resulting from an affirmative act on the defendant's part, and (2) the contacts must be such that the exercise of jurisdiction over defendant does not offend "traditional notions of fair play and substantial justice." *International Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945) (quoting *Milliken v. Meyer*, 311 U.S. 457, 463 (1940)). The minimum contacts analysis involves more than counting the nonresident's contacts with the forum. *Stuart*, 772 F.2d at 1189-90. The court must look to see whether the nonresident defendant has performed some act by which the defendant purposely avails itself of the privilege of conducting activities within the forum state, thus invoking the benefits and protections of its laws. *Hanson v. Denckla*, 357 U.S. 235, 253 (1958). And, the nonresident's conduct and connection with the forum state must be such that it should reasonably anticipate being haled into court there. *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 297 (1980).

The minimum contacts test can be satisfied by a finding of either "specific" or "general" jurisdiction over the nonresident defendant. Specific jurisdiction exists if the controversy is related to or arises out of a defendant's contacts with the forum. In such a situation, the "relationship among the defendant, the forum and the litigation" is the essential foundation of personal jurisdiction. *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466

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[2] *InterFirst Bank Clifton v. Fernandez*, 844 F.2d 279, 282, *modified on other grounds*, 853 F.2d 292 (5th Cir. 1988); *Kawasaki Steel Corp. v. Middleton*, 699 S.W.2d 199, 200 (Tex. 1985).

U.S. 408, 414 n. 8 (1984); *Shaffer v. Heitner,* 433 U.S. 186, 204 (1977). In contrast, even if the controversy does not arise out of or relate to the nonresident defendant's contacts with the forum, general jurisdiction may be exercised when the nonresident defendant's contacts with the forum are sufficiently continuous and systematic as to support a reasonable exercise of jurisdiction. *Keeton v. Hustler Magazine, Inc.,* 465 U.S. 766, 779 (1984); *Stuart,* 772 F.2d at 1190-91.

As defendant correctly points out, "specific" jurisdiction does not exist here because plaintiff's cause of action does not relate to defendant's contact with the forum.[3] *World-Wide Volkswagen,* 444 U.S. at 297-98. Rather, this controversy arises out of the alleged use by defendant of plaintiff's patented process. Plaintiff does not dispute that defendant's manufacturing facilities are located in the Central District of California and that defendant has no manufacturing facilities in Texas.

When specific jurisdiction does not apply, due process requires that the defendant have continuous and systematic contacts with the forum to support the exercise of general jurisdiction. *Helicopteros,* 466 U.S. at 416. More contact is required to support general than specific jurisdiction. *Bearry v. Beech Aircraft Corp.,* 818 F.2d 370, 374 (5th Cir. 1987). A mere finding that defendant puts products into the stream of commerce for sale in Texas

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[3] Because defendant simply lacks sufficient contacts with this district for the court to exercise personal jurisdiction, there is no need for the court to determine whether the Process Patent Amendments Act of 1988, codified at 35 U.S.C. § 271(g), effectively overruled the line of cases holding that a process patent violation occurs where the unauthorized use of the patented process takes place. *See United States v. Studiengesellschaft Kohle m.b.H.,* 670 F.2d 1122, 1127-28 (D.C. Cir. 1981); *Koratron Co. v. Lion Uniform, Inc.,* 449 F.2d 337, 338 (9th Cir. 1971). The expansion or redefining of what constitutes a violation of a U.S. process patent does not change the court's inquiry into its personal jurisdiction over a defendant.

is not sufficient to support general jurisdiction. *Id.* at 375; *see also Vault Corp. v. Quaid Software Ltd.*, 775 F.2d 638, 641 n. 2 (5th Cir. 1985). A nonresident defendant may permissibly structure its primary conduct so as to avoid being haled into court in a particular state. *World-Wide Volkswagen*, 444 U.S. at 297; *Stuart*, 772 F.2d at 1190.

Here, as in *Bearry*, the evidence shows that defendant has structured its affairs in a manner calculated to shield it from the general jurisdiction of Texas courts. Defendant does not have in Texas: an office, any manufacturing facilities, any research facilities, a warehouse, any employees, a regular or established place of business, any officers or directors, any real estate interests, or a bank account. For fiscal year 1991 (July 1, 1990 through June 30, 1991), defendant's total sales were approximately $250,000,000.00. Less than one percent of defendant's sales were to customers in Texas. Defendant's sales to customers in Texas are made by independent distributors and independent manufacturers' representatives. All sales contracts are subject to written acceptance by defendant at its offices in El Segundo, California, and all sales are complete, and title passes to the purchaser, upon delivery of the products sold to a carrier F.O.B. defendant's plant in California. Accordingly, the court finds that general jurisdiction does not exist. *See Bearry*, 818 F.2d at 375-76.

As discussed herein, defendant is not subject to personal jurisdiction in this district. Accordingly, the first part of § 1400(b) does not apply. Likewise, the second part of § 1400(b) does not apply, because the court has determined, and the evidence reflects, that defendant has not committed acts of infringement in this district nor does defendant have a regular and established place of business here.

Pursuant to 28 U.S.C. § 1406(a), the court may dismiss or, if it be in the interest of justice, transfer this

case to any district in which it could have been brought, even though this court lacks personal jurisdiction over defendant. *Goldlawr, Inc. v. Heiman,* 369 U.S. 463, 466 (1962). Because the court has considered and ruled upon various discovery motions in this action, the court finds that it would be in the interest of justice to transfer, rather than dismiss, this action. The record reflects that transfer is appropriate to the Central District of California. Accordingly,

The court ORDERS that defendant's motion to dismiss be, and is hereby, denied; that the motion to transfer be, and is hereby, granted; and that the above-styled and numbered action be, and is hereby, transferred to the United States District Court for the Central District of California.

SIGNED: November 12, 1991.

/s/ John McBryde
JOHN MCBRYDE
United States District Judge

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

Miscellaneous Docket No. 318

IN RE SGS-THOMSON MICROELECTRONICS, INC.,
Petitioner.

ON PETITION FOR WRIT OF MANDAMUS

Before PLAGER, *Circuit Judge*, COWEN, *Senior Circuit Judge*, and LOURIE, *Circuit Judge*.

PLAGER, *Circuit Judge*.

ORDER

SGS-Thomson Microelectronics Inc. (SGS) petitions for a writ of mandamus to direct the United States District Court for the Northern District of Texas to vacate its November 12, 1991 order transferring SGS's infringement action to the Central District of California due to improper venue and lack of personal jurisdiction over the defendant, International Rectifier Corporation (IR). IR opposes. SGS moves for leave to file a reply.

This matter stems from SGS's patent infringement action against IR in the Northern District of Texas. SGS alleged that IR infringed the claims of SGS's process patent by making devices in accordance with the claimed process and by selling devices made by that process in the Northern District of Texas and elsewhere.

Pursuant to IR's motion, the district court transferred the action pursuant to 28 U.S.C. § 1406(a) to the Central District of California, where IR's principal place of business is located. On reconsideration, the district court issued a revised memorandum and order. The revised memorandum and order is the subject of SGS's petition.

In the revised memorandum and order, the district court concluded, inter alia, that the constitutional require-

ment of sufficient "minimum contacts" for "specific" personal jurisdiction was not met. First, the district court determined specific jurisdiction did not exist over IR because SGS's "cause of action does not relate to defendant's contact with the forum." The district court stated:

> This controversy arises out of the alleged use by defendant of plaintiff's patented process. Plaintiff does not dispute that defendant's manufacturing facilities are located in the Central District of California and that defendant has no manufacturing facilities in Texas.

Second, the district court determined that sales by IR were completed in California not Texas.[1]

SGS argues that the district court erred in its analysis of specific jurisdiction because it focused solely on "where the infringer is manufacturing products using the process." SGS contends that its cause of action under § 271(g)[2] required the district court to consider sales of the product in Texas made by the patented process in its analysis of specific personal jurisdiction.

In response, IR points out that the district court determined that the sales by IR took place in California not Texas. Therefore, IR argues, the district court's decision

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[1] The district court found that "[a]ll sales contracts are subject to written acceptance by defendant at its offices in El Segundo, California, and all sales are complete, and title passes to the purchaser, upon delivery of the products sold to a carrier F.O.B. defendant's plant in California."

[2] SGS based its infringement action on 35 U.S.C. § 271(g) which provides in relevant part:

> Whoever without authority imports into the United States or sells or uses within the United States a product which is made by a process patented in the United States shall be liable as an infringer, if the importation, sale, or use of the product occurs during the term of such process patent.

to transfer was correct because in the absence of sales in the forum, SGS lacks sufficient contacts with the district for the court to exercise personal jurisdiction.

We are not persuaded that interlocutory review by mandamus is appropriate in this case. In *In re Cordis Corp.*, 769 F.2d 733 (Fed. Cir. 1985), this court refused to grant a petition for writ of mandamus in a similar situation involving venue. We stated:

> the remedy of mandamus is "strong medicine" to be reserved for the most serious and critical ills, and if a rational and substantial legal argument can be made in support of the rule in question, the case is not appropriate for mandamus, even though on normal appeal, a court might find reversible error.

Cordis, 769 F.2d at 737. The district court here presented two bases for its decision to transfer the action because of improper venue. We are not prepared to say that no rational or substantial legal argument can be made to support its ruling.

Moreover, it is SGS's burden to justify issuance of a writ. SGS must show that there are exceptional circumstances amounting to a judicial usurpation of power and that its right to issuance of a writ is clear and indisputable. *Gulfstream Aerospace Corp. v. Mayacamas Corp.*, 485 U.S. 271, 289 (1988); *In re United States,* 877 F.2d 1568, 1571 (Fed. Cir. 1989). Admittedly the question of whether venue could lie in Texas is not without difficulty. On balance, however, SGS has not satisfied the required stringent standard for mandamus.

Accordingly,

IT IS ORDERED THAT:

(1) SGS's motion for leave to file a reply is granted.

(2) SGS's petition for writ of mandamus is denied.

Date Feb. 11, 1992

FOR THE COURT

/s/ S. Jay Plager
S. JAY PLAGER
Circuit Judge

[Filed Feb. 9, 1993]

IN THE UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

Civil Action No. CV 92-2202 R

SGS-THOMSON MICROELECTRONICS, INC.,
Plaintiff,

v.

INTERNATIONAL RECTIFIER CORPORATION,
Defendant.

ORDER DENYING WITHOUT PREJUDICE DEFENDANT'S MOTION FOR SUMMARY JUDGMENT RE THE '314 PATENT

Defendant International Rectifier Corporation's Motion for Summary Judgment re the '314 Patent came on regularly for hearing before the Court at 10:00 a.m. on February 1, 1993. The parties were represented by their respective counsel of record.

The Court, having read and considered the papers filed in support of and in opposition to the motion, and having heard the arguments of counsel, hereby DENIES the motion WITHOUT PREJUDICE.

DATED: Feb. 9, 1993

/s/ Manuel L. Real
HONORABLE MANUEL L. REAL
U.S. District Judge

[Entered Mar. 4, 1993]

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

Case No. CV-92-2202-R

SGS-THOMSON MICROELECTRONICS,
Plaintiff,

v.

INTERNATIONAL RECTIFIER CORPORATION,
Defendant.

ORDER

On February 1, 1993, before the Honorable Manuel L. Real, Chief Judge, Defendant International Rectifier Corporation's Motion for Summary Judgment on Plaintiff's First Claim for Relief or, in the alternative, for Summary Adjudication of issues as to the invalidity of Plaintiff's '314 patent came on regularly for hearing. Additionally, Defendant's Motion for Summary Judgment on Plaintiff's Second and Third Claims for Relief came on regularly for hearing. The parties were represented by their respective counsel of record.

Having read and considered the papers filed in support of and in opposition to the motions, and having heard oral argument of counsel, the Court HEREBY ORDERS:

(1) Defendant's Motion for Summary Judgment on Plaintiff's First Claim for Relief or, in the alternative, for Summary Adjudication of issues as to the invalidity of Plaintiff's '314 patent is DENIED without prejudice.

(2) Defendant's Motion for Summary Judgment on Plaintiff's Second and Third Claims for Relief is

GRANTED, the Court finding that there is no genuine issue of material fact and that Defendant International Rectifier Corporation is entitled to judgment in its favor as a matter of law. The Court has entered its findings of fact and conclusions of law concurrently with the entry of this Order.

DATED: March 1st, 1993.

/s/ Manuel L. Real
MANUEL L. REAL
United States District Judge

[Entered Mar. 11, 1993]

IN THE UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

Civil Action No. CV 92-2202 R

SGS-THOMSON MICROELCTONICS, INC.,
Plaintiff,

v.

INTERNATIONAL RECTIFIER CORPORATION,
Defendant.

FINDINGS OF FACT AND CONCLUSIONS OF LAW IN SUPPORT OF ORDER GRANTING DEFENDANT'S MOTION FOR SUMMARY JUDGMENT ON PLAINTIFF'S SECOND AND THIRD CLAIMS FOR RELIEF

Defendant International Rectifier Corporation's Motion for Summary Judgment on Plaintiff's Second and Third Claims for Relief came on regularly for hearing before this Court on February 1, 1993. Having granted the motion at the conclusion of oral argument, the Court now makes the following findings of fact and conclusions of law in support of its Order Granting Defendant's Motion for Summary Judgment on Plaintiff's Second and Third Claims for Relief entered concurrently with the entry of these findings and conclusions.

FINDINGS OF FACT

Jurisdiction and Venue

1. This is an action for patent infringement under 35 U.S.C. § 1 et seq. (First Amended Complaint, ¶ 1.)

2. This Court has jurisdiction over this action pursuant to 28 U.S.C. § 1338(a), and venue is proper in this District under 28 U.S.C. § 1391(b) and 1400(b), in that this action is brought under the patent laws of the United States and defendant International Rectifier Corporation ("IR") resides in this District. (*Id.*)

The Parties

3. Plaintiff SGS-Thomson Microelectronics, Inc. ("SGS-US") is a corporation organized under the laws of the State of Delaware. (*Id.* at ¶ 2.)

4. IR is a corporation organized under the laws of the State of Delaware with its principal place of business located in El Segundo, California. (*Id.* at ¶ 3.)

The Purported '127 and '513 Patent Assignments

5. SGS-US asserts that it acquired legal title to United States Patent No. 4,495,513 (the "'513 patent") by "assignment" from SGS-Thomson Microelectronics S.A. ("SGS-France") on August 26, 1991. (First Amended Complaint, ¶ 12; Declaration of Kevin M. Harr ("Harr Decl."), Ex. B.)

6. SGS-US also asserts that it acquired legal title to United States Patent No. 4,712,127 (the "'127 patent") by "assignment" from SGS-Thomson Microelectronics S.r.l. ("SGS-Italy") on November 1, 1991. (First Amended Complaint, ¶ 17; Harr Decl., Ex. C.)

7. One individual, Richard K. Robinson, chief legal officer for intellectual property matters for SGS-US and its foreign affiliates, represented all of the SGS entities (*i.e.*, SGS-US, SGS-France and SGS-Italy) in "negotiating" the "assignments." (Declaration of Richard K. Robinson, p. 1; Robinson Depo., p. 19.) Mr. Robinson was the moving force behind the "assignments;" only one other person (also a lawyer) was aware of the full terms of the "assignments." (*Id.* at pp. 20, 30; Ollivier Depo., p. 4.) There is no evidence that these "assignments" were arms' length transactions.

8. There was no independent business purpose for the "assignments." (Robinson Depo., pp. 29-30.) The only reason for the "assignments" was to facilitate SGS-US's litigation against IR. (*Id.*, at pp. 21, 29-30.) During his deposition, Mr. Robinson (SGS-US's Rule 30(b)(6) designee on the issue of the "assignments") acknowledged that the sole purpose and objective of the "assignments" was for enforcement of the '513 and '127 patents (*id.* at pp. 21, 29-30), based at least in part on the desires of SGS-France and SGS-Italy not to become involved in litigation in the United States (*id.*, at pp. 11-14).[1]

9. No consideration is stated, and there is no evidence that any consideration was paid, for the "assignment" of the '513 patent. (*Id.*, at p. 20.) While the "assignment" of '127 patent purports to be supported by a stated nominal consideration, the amount of the stated consideration was arrived at simply to satisfy certain formal requirements under Italian law. (*Id.*, at pp. 16-17.) There is no evidence that any other consideration was paid for the "assignment" of the '127 patent. (*Id.*)

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[1] SGS-US has taken the position (in response to discovery propounded by IR in this litigation) that SGS-US is not obliged to provide to IR information in the possession of SGS-Italy and SGS-France, but will only request that its foreign affiliates comply voluntarily with IR's discovery requests. (SGS-Thomson Microelectronics, Inc.'s Response to International Rectifier Corporation's First Request for Production of Documents, p. 2.)

10. The timing of the "assignments" was not dictated by any independent business consideration, but rather was dictated by the SGS entities' desire to facilitate SGS-US's litigation against IR. (*Id.*, at pp. 11-14, 21, 29-30.)

11. For purposes of distribution of royalties, the SGS entities have agreed that they will continue to act as if the "assignments" of the '127 and '513 patents had not taken place. (*Id.*, at pp. 16, 20.)

12. The SGS entities have further agreed that all expenses of and any recovery from the litigation against IR on the '127 and '513 patents will be assessed or paid over to the European companies as if the "assignments" had not taken place. (*Id.*, at pp. 16, 20, 34-38.)

13. The SGS entities also have agreed that after this litigation with IR is completed, SGS-US will "transfer" the '127 patent back to SGS-Italy and the '513 patent to SGS-France. (*Id.*, at pp. 16, 20-21.)

14. The only evidence tendered by SGS-US in opposition to IR's motion was a declaration from Mr. Robinson which did nothing more than authenticate the "assignment" documents submitted by IR with its moving papers. (Robinson Decl., at pp. 1-2.)

15. SGS-US's counsel represented to the Court during oral argument on the motion that Mr. Robinson's testimony (as SGS-US's Rule 30(b)(6) designee on "assignment" issues) gives the full story behind the "assignment." [2]

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[2] Indeed, since Mr. Robinson's deposition, SGS-US has blocked IR's inquiries into any further facts and circumstances underlying the "assignments." On this point, IR cited the following examples to the Court: (1) During the deposition of Pierre Ollivier, the only other individual identified by Mr. Robinson as being significantly involved with both "assignments" (Robinson Depo., pp. 20 and 30), Mr. Ollivier was instructed by SGS-US's counsel not to answer any question concerning the "assignments," their purpose or their intended effect, on the grounds of attorney-client and work product privilege. (Ollivier Depo., at p. 21-22, 45-46.) (2) In its

16. SGS-US urges the Court not to look beyond the four corners of the "assignment" documents to ascertain the true intent of the SGS entities. (Memorandum of Points and Authorities in Opposition to Defendant's Motion for Summary Judgment on Plaintiff's Second and Third Claims for Relief, pp. 3-4.) This Court, however, need not and will not wear blinders where the uncontroverted facts compel the conclusion that the "assignment" documents were a sham to conceal the true intent of the SGS entities—the intent to attempt to vest in SGS-US nothing more than a naked right to sue IR for alleged infringement of the '513 and '127 patents. (*See* Findings of Fact 7-15, above.)

17. There is no evidence that the SGS entities intended that SGS-France surrender all its substantial rights to the '513 patent or that SGS-France assigned, or intended to assign, the exclusive right, or an undivided part or share of that exclusive right, to make, use and vend the '513 patent. (*Id.*)

18. There is no evidence that the SGS entities intended that SGS-Italy surrender all its substantial rights to the '127 patent or that SGS-Italy assigned, or intended to assign, the exclusive right, or an undivided part or share of that exclusive right, to make, use and vend the '127 patent. (*Id.*)

Conclusions of Law Deemed Findings of Fact

19. Any "Conclusions of Law" that constitutes a "Finding of Fact" is incorporated herein as such by this reference.

January 22, 1993 responses to IR's Interrogatory Nos. 12-15 and Document Request Nos. 119-121 (which requests sought information as to any business purpose for the "assignments"), SGS-US refused to answer, taking the position that the purpose of the "assignments" was and is irrelevant. (Responses of Plaintiff, etc., to IR's Fourth Set of Interrogatories and Responses of Plaintiff, etc., to IR's Fourth Set of Document Requests.)

CONCLUSIONS OF LAW

1. Any "Findings of Fact" that constitutes a "Conclusion of Law" is incorporated herein as such by this reference.

2. The Patent Act of 1952, codified in Title 35 of the United States Code, provides that "[a] patentee shall have remedy by civil action for infringement of his patent." 35 U.S.C. § 281.

3. A "patentee" under 35 U.S.C. § 281 includes valid "assignees" of "the exclusive right to make, use and vend the invention." *Waterman v. Mackenzie,* 138 U.S. 252, 255 (1891); *Vaupel Textilmaschinen KG v. Meccanica Euro Italia S.P.A.,* 944 F.2d 870, 873-874 (Fed. Cir. 1991); *Refac Int'l Ltd. v. Visa USA Inc.,* 16 U.S.P.Q.2d 2024, 2027 (N.D. Cal. 1990); *see also* 35 U.S.C. § 100(d) ("The word 'patentee' includes not only the patentee to whom the patent was issued but also the successors in title to the patentee").

4. "The standard for determining whether a transfer is an assignment or a license was stated in the seminal decision of *Waterman v. Mackenzie*: '[A] patentee or his assigns may, by instrument in writing, assign, grant, and convey, either, 1st, the whole patent, comprising the exclusive right to make, use, and vend the invention through the United States; or, 2d, and undivided part or share of that exclusive right; or, 3d, the exclusive right under the patent within and throughout a specified part of the United States. A transfer of either of these three kinds of interests is an assignment, properly speaking, and vests in the assignee a title in so much of the patent itself, with a right to sue infringers; in the second case, jointly with the assignor; in the first and third cases, in the name of the assignee alone. Any assignment or transfer, short of one of these, is a mere license, giving the licensee no title in the patent, and no right to sue at law in his own name for an infringement.'" *Afros S.P.A. v. Krauss-Maffei*

Corp., 671 F. Supp. 1402, 1444 (D. Del. 1987) (citing *Waterman*, 138 U.S. at 255).[3]

5. "Whether a transfer constitutes a sale or license is determined by the *substance of the transaction* and a transfer will suffice as a sale if it appears from the agreement and surrounding circumstances that the *parties intended* that the patentee surrender all his substantial rights to the invention." *Bell Intercontinental Corp. v. United States*, 381 F.2d 1004, 1011 (Ct. Cl. 1967); *accord, Vaupel*, 944 F.2d at 874 ("[w]e must therefore examine whether the agreements transferred all substantial rights of the [patent] and whether the surrounding circumstances indicated an intent to do so").

6. Neither SGS-US nor its European affiliates intended that any right, much less all substantial rights, to either the '513 or '127 patents be transferred to SGS-US, other than the naked right to bring a civil action for the alleged infringement of the '513 and '127 patents. An attempt to assign a naked right to sue was held insufficient to confer standing to sue for infringement in *Crown Die & Tool Co. v. Nye Tool & Machine Works*, 261 U.S. 24 (1922), and was condemned as "contrary to the purpose and spirit of the statutory provisions for the assigning of patents." *Id.* at 38; *see also Public Varieties of Miss. v. Sun Valley Seed Co.*, 734 F. Supp. 250, 253 (N.D. Miss. 1990) ("the statutory cause of action follows title in the certificate, and title in the certificate can only be assigned by transferring the entire bundle of common law rights as directed by the Court in *Waterman*").[4]

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[3] "[T]he law of the situs of the assignment . . . controls the question of the validity of the assignment, while United States law determines whether [a party] was a valid assignee of the patents . . ." *Afros S.P.A.*, 672 F. Supp. at 1442.

[4] Under analogous circumstances, courts uniformly disregard any "assignment" used to create the illusion of diversity jurisdiction where it would not otherwise lie, notwithstanding the "assignment" is regular on its face. *Amar v. Garnier Enter., Inc.*, 41

7. As the moving party under Rule 56, IR bears the burden of proving both the absence of genuine issues of material fact and entitlement to a summary judgment. SGS-US, as the non-movant, must show a genuine and material dispute of fact. *Celotex Corp. v. Catrett*, 477 U.S. 317, 324-325 (1986). SGS-US may not prevail by merely denying evidence or by asserting unsubstantiated conclusions. *See, e.g., Barmag Barmer Maschinenfabrick AG v. Murata Mach., Ltd.*, 731 F.2d 831, 836 (Fed. Cir. 1984).

8. IR has carried its burden under Rule 56. On the uncontroverted facts before the Court, it is evident that (1) SGS-US is not a patentee or valid assignee of the '513 patent and, therefore, lacks standing to sue IR for the alleged infringement of that patent, and (2) SGS-US is not a patentee or valid assignee of the '127 patent and, therefore, lacks standing to sue IR for the alleged infringement of that patent. There is no genuine issue as to any material fact and IR is entitled to judgment in its favor as a matter of law on SGS-US' second and third claims for relief.

9. SGS-US requested at oral argument that the Court enter a final judgment on SGS-US's second and third claims for relief under Rule 54(b), so that SGS-US could immediately appeal the Court's grant of summary judgment. The Court denied that request, as the Court was and is of the opinion that this action is (in the interests

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F.R.D. 211, 216-217 (C.D. Cal. 1966) ("The plaintiff . . . contends that the motive of the transferor makes no difference. . . . This may be so when the transfer is real, complete and bona fide; but the motive of the transferor is an important consideration in determining whether the transfer actually was real, complete and bona fide"). *Accord, Syms v. Castleton Indus., Inc.*, 470 F.2d 1078, 1084 (5th Cir. 1973); *Design for Business Interiors v. Herson's, Inc.*, 659 F. Supp. 1103, 1109 (D.D.C. 1986); *Fowler v. Coals*, 418 F. Supp. 909, 912 (E.D. Tenn. 1976); *Carter v. Seaboard Coast Line R.R. Co.*, 318 F. Supp. 368, 373 (D.S.C. 1970).

of fairness and judicial economy) best resolved in its entirety prior to any appeal.

DATED: February 10, 1993

/s/ Manuel L. Real
HONORABLE MANUEL L. REAL
Chief U.S. District Judge

[Entered May 10, 1993]

IN THE UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

Civil Action No. CV 92-2202 R

SGS-THOMSON MICROELECTRONICS, INC.,
Plaintiff,

v.

INTERNATIONAL RECTIFIER CORPORATION,
Defendant.

ORDER ON DEFENDANT'S MOTION FOR SUMMARY JUDGMENT ON PLAINTIFF'S FIRST CLAIM FOR RELIEF

Defendant International Rectifier Corporation's motion for summary judgment on plaintiff's first claim for relief came on regularly for hearing before the Court at 10:00 a.m. on March 15, 1993. The parties were represented by their respective counsel of record.

The Court, having read and considered the papers filed in support of and in opposition to the motion, and having heard the arguments of counsel, finds that there is no genuine issue as to any material fact and that defendant International Rectifier Corporation is entitled to a judgment in its favor as a matter of law on plaintiff's first claim for relief. The motion is, therefore, GRANTED. The Court has entered findings of fact and conclusions of law concurrently with the entry of this order.

DATED: May 3, 1993

/s/ Manuel L. Real
HONORABLE MANUEL L. REAL
Chief U.S. District Judge

[Entered May 10, 1993]

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

Case No. CV 92-2202-R

SGS-THOMSON MICROELECTRONICS, INC.,
Plaintiff,

v.

INTERNATIONAL RECTIFIER CORPORATION,
Defendant.

FINDINGS OF FACT AND CONCLUSIONS OF LAW IN SUPPORT OF ORDER GRANTING DEFENDANT'S MOTION FOR SUMMARY JUDGMENT ON PLAINTIFF'S FIRST CLAIM FOR RELIEF

Defendant International Rectifier Corporation's Motion for Summary Judgment on Plaintiff's First Claim for Relief came on regularly for hearing before this Court on March 15, 1993. Having granted the motion at the conclusion of oral argument, the Court now makes the following findings of fact and conclusions of law in support of its order granting Defendant's Motion for Summary Judgment on Plaintiff's First Claim for Relief entered concurrently with the entry of these findings and conclusions.

FINDINGS OF FACT

Jurisdiction and Venue

1. This is an action for patent infringement under 35 U.S.C. § 1 *et seq.* (First Amended Complaint, ¶ 1.).

2. This Court has jurisdiction over this action pursuant to 28 U.S.C. § 1338(a), and venue is proper in this district under 28 U.S.C. §§ 1391(b) and 1400(b), in that this action is brought under the patent laws of the United States and defendant International Rectifier Corporation resides in this district. (*Id.*)

The Parties and Patent at Issue

3. Plaintiff SGS-Thomson Microelectronics, Inc. ("SGS") is a corporation organized under the laws of the State of Delaware with its principal place of business in Carrollton, Texas. (*Id.* at ¶ 2; SGS Statement of Uncontroverted Facts ¶ 3.[1])

4. Defendant International Rectifier Corporation ("IR") is a corporation organized under the laws of the State of Delaware with its principal place of business located in El Segundo, California. (First Amended Complaint, ¶ 3; SGS Statement of Uncontroverted Facts, ¶ 4.)

5. SGS asserts that it is the owner of United States Letters Patent No. 4,553,314, issued on December 19, 1985 to Chan, *et al.* (the " '314 patent"). (First Amended Complaint, ¶ 6; SGS Statement of Uncontroverted Facts, ¶ 5.) SGS charges IR with infringement of the '314 patent. (First Amended Complaint, ¶ 7.)

6. SGS describes the '314 invention as "a method for making a portion of a semiconductor device whereby,

[1] "SGS Statement of Uncontroverted Facts" refers to the Statement of Uncontroverted Material Facts and Conclusions of Law Submitted by Plaintiff in Support of its Motion for Summary Judgment on Defendant's Tenth Affirmance Defense (Inequitable Conduct Re: '314 Patent), filed March 1, 1993.

inter alia, an undercut in the gate oxide layer between the polycrystalline silicon gate and the silicon substrate, caused by lateral etching, is filled by expanding and growing oxide components . . . ." (SGS Statement of Uncontroverted Facts, ¶ 7.) Tsiu C. Chan, the first named inventor of the '314 patent, has testified that the gist of his invention is the use of grown oxide to fill the undercut.[2]

7. Both the '314 application as filed and the '314 patent as issued state that the existence of undercutting in the gate oxide was a known prior art problem "incident to" the etching process:

> "[A] troublesome prior art problem solved by the present invention is lateral etching of oxide layers under polycrystalline silicon gate layers incident to opening diffusion windows to the device substrate. The resulting oxide undercut of such gate layers can cause device failure by a short circuit between a gate layer and the substrate. Prior art methods of depositing oxide to fill in the undercut have proved to be unreliable."

(SGS Ex. A, p. 5, 1st paragraph; IR Ex. A, '314 patent, col. 1, lines 40-47.)

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[2] In opposition to IR's motion, inventor Chan declares that: "The invention claimed in my '314 patent (IR Ex. A) relates to filling in the undercut caused by the lateral etching of the gate oxide under a polysilicon gate by growing oxide layers in the area of the undercut of sufficient thickness to fill in the undercut." (Chan Decl., p. 7, lines 8-12.) Mr. Chan similarly testified at his deposition as follows:

> "Q. Is it correct to summarize the idea you had of the '314 patent as being the use of a thermal [grown] oxide to fill in an undercut notch in oxide beneath the polysilicon layer?
>
> A. Yeah. We come up with the idea."

(Chan Depo., Vol. II, 265:24-266:3.)

8. SGS is the successor-in-interest to the '314 patent as a result of the acquisition of Mostek Corporation by a predecessor of SGS in November 1985. Mostek pursued the series of patent applications which led to the issuance of the '314 patent and likewise pursued the series of patent applications which led to the issuance of U.S. Patent No. 4,179,311 (the "Athanas patent," IR Ex. B), also of significance to IR's motion. (SGS Statement of Uncontroverted Facts, ¶ 6.)[3]

IR's Motion for Summary Judgment and SGS's Motion for Summary Judgment

9. In its motion for summary judgment, IR contends that, during the prosecution of the applications leading to the '314 patent, SGS withheld from the Patent and Trademark Office a known, material (and known to be material) prior art reference, U.S. Patent No. 3,913,216 (the "Hooker patent," IR Ex. C). IR further contends that the Hooker patent was withheld with an intent to mislead the United States Patent Office Examiner, and that SGS has thus engaged in inequitable conduct before the Patent Office. (IR's Motion for Summary Judgment on Plaintiff's First Claim for Relief (Inequitable Conduct re '314 Patent), filed February 9, 1993.)

10. While SGS asserts in opposition to IR's motion that there are disputed facts which preclude the entry of summary judgment (SGS Oppo. at 1), SGS has filed a motion for summary judgment of its own on the same record presented to this Court on IR's motion. (Plaintiff SGS-Thomson's Amended Notice of Motion and Motion for Summary Judgment on Defendant's Tenth Affirmative Defense to Plaintiff's First Claim for Relief (Inequitable Conduct re: '314 Patent), filed March 2, 1993.)

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[3] For notational convenience, Mostek and its successors will be referred to hereinafter as "SGS."

Background and Overview of the '314 and Athanas Patent Prosecutions [4]

11. The original applications that matured into the '314 and Athanas patents were filed nine days apart by the same assignee—SGS. (IR Exs. E, F.) The Athanas application was filed on January 17, 1977 (IR Ex. E at 52);[5] the '314 application was filed on January 26, 1977 (IR Ex. D at 51).[6]

12. The two applications were prepared by the same lawyer, Peter J. Thoma (Thoma Decl., ¶ 5), and reviewed and submitted to the Patent Office by the same lawyer, E. Mickey Hubbard (Thoma Decl., ¶ 5, 6; IR Exs. D and E.)

13. The original applications for the '314 patent and Athanas patent bear the same title, "Method for Making a Semiconductor Device" (*compare* IR Exh. F *with* IR Exh. G.), and disclose processes for the manufacture of semiconductor devices viewed by the Examiner of the '314 application as very simliar (if not identical) to one another as respects the '314 invention (*see* Findings of Fact 41-42, *infra*).

14. The initial '314 application and the initial Athanas application were assigned by the Patent Office to different Patent Office examiners. (SGS Exs. A and L.) There was

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[4] Additional facts of the prosecution of the '314 and Athanas patents are set forth in later sections of these findings.

[5] This initial application (U.S. Patent Application No. 759,803), and U.S. Patent Application Nos. 945,361 and 945,360 (SGS Exs. M and N) stemming therefrom, are referred to hereinafter both individually and collectively (as the context may require) as the "Athanas application."

[6] This initial application (U.S. Patent Application No. 762,398), and U.S. Patent Application Nos. 2,426, 100,606, 351,726 and 431,527 (SGS Exs. B-E) stemming therefrom, are referred to hereinafter individually and collectively (as the context may require) as the "'314 application."

no overlap of examiners between the '314 and Athanas prosecutions at any time during the pendency of the '314 and Athanas applications. (SGS Exs. A-E and L-N.)

15. Hubbard did not submit any prior art references with either original application. (SGS Exs. A and L.)[7] He testified that it was "very uncommon" for him to conduct prior art searches for clients in the semiconductor field at that time. (Hubbard Depo., pp. 25-26, 30-31.) Hubbard and his law firm were initially the only lawyers authorized to prosecute the Athanas and '314 applications. (SGS Ex. L at 617; SGS Ex. A at 40.)

16. The first substantive activity in either prosecution was an October 12, 1977 office action issued by the Patent Office rejecting claims 5 through 10 of the Athanas application. The first prior art reference cited and the principal reference relied on by the Athanas Examiner in rejecting the Athanas claims was the Hooker patent. According to the office action, claims 5 and 6 were rejected as having been anticipated by Hooker (35 U.S.C. § 102) and claims 5 through 10 were rejected as being obvious in light of Hooker (35 U.S.C. § 103). IR Ex. H at 109-110.) This office action, including a copy of the Hooker patent, was sent by the Patent Office to Hubbard. (IR Ex. H; O'Rourke Decl., ¶ 10; Hubbard Depo., p. 47.) Hubbard testified at his deposition that it was his normal procedure to forward copies of office actions to SGS's in-house counsel. (Hubbard Depo., pp. 29-31.)

17. SGS responded to the office action in the Athanas application in January 1978. (IR Ex. M.) One entire page of the four page response was devoted to the Hooker patent, denoted reference "A." (*Id.* at 187.) The response was prepared and signed by James J. Mullen, SGS's only

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[7] SGS never disclosed any references on its own during the Athanas prosecution. (SGS Exs. L-N.) In the '314 prosecution, it was more than three years after the application was filed before SGS first disclosed a prior art reference on its own. (SGS Exs. A-E.)

in-house counsel from mid-1977 through mid-1979. (Mullen Decl. ¶¶ 5, 7-8; Mullen Depo. pp. 7-8.)

18. In March 1978, the Athanas Examiner again rejected several claims of the Athanas application on the basis of the Hooker patent. (IR Ex. N.)

19. SGS responded to this second Athanas rejection in June 1978. SGS's response included a detailed discussion of the Hooker patent. (IR Ex. O.) This response was prepared by SGS outside counsel John P. Pinkerton at the direction of Mr. Mullen. (Pinkerton Decl., ¶ 5.) The response was signed and submitted to the Patent Office by Mullen. (IR Ex. O; Mullen Decl., ¶ 11.)

20. At the same time Pinkerton and Mullen were preparing and submitting detailed arguments about the Hooker patent in connection with the Athanas prosecution, they prepared and submitted a response to the Patent Office in the '314 prosecution attempting to overcome a different prior art reference cited by the '314 Examiner in March 1978. (IR Ex. P.) Pinkerton again prepared the response at Mullen's request (Pinkerton Decl., ¶ 6), and Mullen again signed and submitted it to the Patent Office (Mullen Decl., ¶ 12; IR Ex. P). Mullen signed this '314 response just two days after signing the response in the Athanas prosecution which discussed the Hooker patent. (IR Exs. O and P.)

21. In November 1979, Hubbard prepared an amendment in the '314 prosecution which SGS asserts "was the first prosecution step to focus on the substance of the oxide regrowth method claims." (SGS Oppo. at 28:10-12; SGS Ex. B at 124-25.)

22. In December 1979, SGS outside counsel G. Roland Love sent a copy of the Hooker patent to '314 inventor Chan in connection with the Athanas prosecution. (IR Ex. W; Love Depo., p. 105; Love Decl., ¶ 11.) Love had been appointed as the attorney to prosecute both the '314 and Athanas applications coincident with Mul-

len's departure from SGS in mid-1979. (IR Exs. Q and S; Love Decl., ¶ 7.) Love's cover letter to Chan asked him to review the enclosed references (of which the Hooker patent was the first listed reference) and to call Love "so that we may meet." (IR Ex. W.)

23. Chan admits to having analyzed the Hooker patent (which is only five pages long) at this time and to having written down his thoughts about it on a copy of Love's letter. (Chan Decl., ¶¶ 11-12.) Chan's handwritten notations are shown on the second page of IR Ex. X. (*Id.*)

24. While Chan attests that he has no present recollection of looking at the Hooker patent in 1979 (*id.*), he testifies that he would have focused his attention in 1979 on Hooker's pertinent grown oxide layer 17.[8]

25. Also in December 1979, at the same time Love sent a copy of the Hooker patent to inventor Chan for comment, Love sent a copy of Hooker to SGS's new in-house counsel, Ronald M. Myrick. (Love Depo., p. 105.) Myrick was involved in the '314 prosecution from Oc-

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[8] Chan declares as follows:

> "It is clear to me today from my handwritten notation on the second page of IR Ex. X that the focus of my attention with respect to Hooker was in comparison to the invention claimed by the Athanas patent. My reference on the second page of IR Ex. X which states 'Oxidize polysilicon partly from top' indicates to me that the focus of my attention in looking at Hooker was to distinguish it from the invention claimed in the Athanas patent. The distinction was that the Athanas patent disclosed oxidizing a polysilicon layer to convert it entirely to polyoxide *while the Hooker patent disclosed only partially oxidizing the top of the polysilicon layer 10 to produce oxide layer 17. . . . [T]he oxidation of polysilicon layer 10 in Figure 7 of Hooker which results in oxide layer 17* is only a partial oxidation of the polysilicon layer which is consistent with the statement 'Oxide poly-silicon partly from top.'"

(Chan Decl., ¶ 17) (emphasis added). Hooker's "oxide layer 17" is the thermally grown oxide layer which Hooker depicts (although SGS does not credit the depiction) as thick enough to fill an undercut. (*See* Findings 39-40, *infra.*)

tober 1979 (SGS Ex. B at 116) through the notice of allowance of the '314 patent in May 1985 (SGS Ex. E at 360). During this time he made several submissions to the Patent Office in the '314 prosecution. (*See, e.g.*, SGS Ex. C at 168-205; SGS Ex. B at 115.)

26. In July 1980, Love wrote a letter to Hubbard referencing the file number corresponding to the '314 application and asking for prior art references which had been cited in foreign patent prosecutions corresponding to the '314 application. (IR Ex. AA; Love Decl., ¶ 12.)

27. In November 1984, the Patent Office Examiner reviewing the '314 application rejected four claims in light of a reference found by the Examiner but not cited by SGS or its counsel. (IR Ex. FF at 272, 274.) That reference was none other than the Athanas patent, which issued in December 1979. (*Id.*; IR Ex. B.) In rejecting the claims of the '314 application, the Examiner stated that the Athanas process anticipated or rendered obvious the '314 process, because (1) the Examiner viewed the undercut as "inherent" and (2) Athanas' subsequently grown oxide would (in the Examiner's opinion) fill the undercut. (IR Ex. FF. at 272, 274; *see also* Finding of Fact 41, *infra.*)

28. In response to the rejection of the '314 claims based on the Athanas patent, SGS (as common assignee) represented to the Patent Office that the '314 inventions were entitled to priority of invention (37 C.F.R. § 1.78 (c)) over the Athanas inventors. (IR Ex. GG at 280; Lott Decl., ¶ 9.) Thus the Athanas patent could not be considered as prior art over the '314 invention. The response, including a declaration of priority of invention, was prepared by SGS in-house counsel, Robert D. Lott, who was involved in the '314 prosecution from June 1980 (IR Ex. CC) through the allowance of the '314 patent. (Lott Decl., ¶¶ 3, 5, 9-10.) While Lott claims no present recollection of preparing the response, he states

that he would have first looked at the Athanas file (which would have included the Hooker patent (Lott Depo., pp. 24-25)) and then discussed the matter with '314 inventor Chan. (Lott Decl., ¶¶ 9-10.)

29. The Hooker patent was never disclosed by inventor Chan or SGS patent counsel to the examiners of the '314 application.

Hooker is "Material" Prior Art With Respect To The '314 Prosecution

30. IR must show that the Hooker patent is "material," *i.e.*, that there is a "substantial likelihood that a reasonable examiner would consider it *important* in deciding whether to allow the ['314] application to issue as a patent." *Halliburton Co. v. Schlumberger Technology Corp.*, 925 F.2d 1435, 1439 (Fed. Cir. 1991) (emphasis added); *see also, e.g., Merck & Co. v. Danbury Pharmacal, Inc.*, 873 F.2d 1418, 1421 (Fed. Cir. 1989). "[T]he test for materiality is not whether there is anticipation or obviousness [rendering the patent invalid under 35 U.S.C. § 102 or § 103] but, rather, what a 'reasonable examiner would consider . . . *important* . . . .'" *See, e.g., A.B. Dick Co. v. Burroughs Corp.*, 798 F.2d 1392, 1397 (Fed. Cir. 1986) (emphasis added).

31. A comparison of the elements of claim 1 of the '314 patent (the only independent claim) with SGS's own concessions as to what is found in the Hooker patent demonstrates that Hooker would have been "important" and thus "material" to the examination of the '314 patent application. (*See* Findings of Fact 32-39, *infra.*)

32. The "preamble" and step "(a)" of '314 claim 1 provide as follows: "A method for making a portion of a semiconductor device comprising the steps of: (a) forming an oxide insulating layer on a surface of a semiconductor substrate." (IR Ex. A, '314 patent, col. 10, lines

20-23.) SGS [9] and inventor Chan [10] both concede that the elements of the "preamble" and step "(a)" are found in Hooker.

33. Step "(b)" of claim 1 requires "forming a polysilicon layer on a selected portion of the oxide insulating layer." (IR Ex. A, '314 patent, col. 10, lines 24-25.) Again, both SGS [11] and inventor Chan [12] concede that the elements of step "(b)" are found in Hooker.

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[9] "The Hooker patent discloses a method for making an integrated circuit having, among other things, a silicon substrate 4, a layer of gate oxide 8 on the substrate . . . ." (Plaintiff's Memorandum in Opposition to Defendant's Motion for Summary Judgment, served 1/15/93 ("Plaintiff's 1/15/93 Memo."), p. 5, lines 18-21; Plaintiff's Memorandum of Points and Authorities in Opposition to Defendant's Renewed Motion for Summary Judgment, filed 2/16/93 ("Plaintiff's 2/16/93 Memo."), p. 5, lines 3-5; *see also* SGS Oppo., p. 19, lines 3-7.)

[10] "Q. Isn't it true that Figure 3 of the Athanas patent depicts a thermal oxide layer 6 that is to be used as a gate oxide layer?

A. You mean Hooker patent, not Athanas patent?

Q. Yes, the Hooker patent.

A. Well, it is described in Column 3. It indicates layer No. 8 is the gate oxide.

Q. I beg your pardon. Layer No. 8. That's what I meant to suggest.

It's correct, then, layer 8 is a gate oxide layer?

A. That's what the picture tries to represent, the gate oxide.

Q. And that gate oxide layer 8 is on the surface of a semiconductor substrate, isn't it?

A. Well, the figure doesn't specifically say so, but I would assume so."

(Chan Depo. Vol. II, 271:5-22.)

[11] "The Hooker patent discloses a method for making an integrated circuit having . . . a polysilicon gate 10 . . . ." (Plaintiff's 1/15/93 Memo., p. 5, lines 18-21; Plaintiff's 2/16/93 Memo., p. 5, lines 3-6; *see also* SGS Oppo., p. 19, lines 8-12.)

[12] "Q. Turning your attention to Figure 4, isn't it correct that in Figure 4, a polysilicon layer 10 has been deposited over the oxide layer 8?

A. Yeah. It's described in Column No. 8, yes."

(Chan Depo. Vol. II, 271:23-272:2.)

34. Step "(c)" of claim 1 requires selectively etching away portions of the oxide insulating layer using the polysilicon layer as a mask, thereby exposing a surface portion of the substrate previously covered by the oxide insulating layer . . . ." (IR Ex. A, '314 patent, col. 10, lines 26-30.) Once again, both SGS [13] and inventor Chan [14] concede that these elements of step "(c)" are found in Hooker.

35. Step "(c)" further requires that this etching result in "incidentally partially undercutting the polysilicon layer by lateral etching of portions of the oxide insulating layer under a peripheral edge of the polysilicon layer . . . ." (IR Ex. A, '314 patent, col. 10, lines 30-33.) The Hooker patent does not expressly state or show that this undercutting is caused by its process. However, the '314 patent describes undercutting as a problem known in the prior art "incident to" the etching process [15] and

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[13] "In the process described in the Hooker patent, the gate oxide is selectively etched away to expose a portion of the substrate 4 to permit diffusion of the substrate." (Plaintiff's 1/15/93 Memo., p. 5, lines 23-26; Plaintiff's 2/16/93 Memo., p. 5, lines 8-10; *see also* SGS Oppo., p. 19 lines 13-20.)

[14] "Q. And isn't it true that in Figure 5, the polysilicon 6 has been etched away and the underlying oxide of oxide layer 8 has also been etched away down to the silicon surface?

A. You mean layer 10 has been etched. Layer etched is the poly layers. They have been etched, yeah, as described in Column 3. That is what is described in Column 3.

Q. And it's true, isn't it, that the exposed oxide of the oxide layer 8 has also been etched away?

A. Column 3 describes it, too.

Q. Does that mean 'yes,' that is correct?

A. That is how Column 3 describe it.

Q. It's also correct, isn't it, that the bare surface of the silicon 4 is exposed when the oxide sections are etched away?

A. Yeah, it is described in Column No. 3 again."

(Chan Depo., Vol. II, 272:3-20.)

[15] "[A] troublesome prior art problem solved by the present invention is lateral etching of oxide layers under polycrystalline

inventor Chan concedes that an undercut will result from the Hooker process.[16]

36. Step "(c)" finally requires that etching take place "such that the depth of the undercutting is equal to or greater than the thickness of the oxide insulating layer." (IR Ex. A, '314 patent, col. 10, lines 33-35.) SGS attributes the lateral extent of the undercut required by the '314 claims (an amount at least equal to the thickness of the gate oxide) to "over-etching." (Plaintiff's 1/15/93 Memo., 20:12-14.) The '314 patent states that "it is the *general practice* to over etch somewhat causing a significant amount of lateral etching or undercutting." (IR Ex. A, '314 patent, col. 7, lines 13-15, emphasis added.)[17]

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silicon gate layers incident to opening diffusion windows to the device substrate. . . . Prior art methods of depositing oxide to fill in the undercut have proved to be unreliable." ('314 patent, col. 1, lines 40-47.)

[16] "Q. Is it true also that during the removal in Figure 5 of the segments of the oxide layer 8, that the oxide under the polysilicon 10 would be undercut?

A. I don't know.

Q. Do you understand that the oxide has been removed by a wet etch in the step of Figure 5?

A. What etch up here?

Q. If you look at Column 3 at Line 3, doesn't that describe the kind of etching solution that is used?

A. Okay.

Q. Is that a typical wet etch?

A. Well, I don't know.

Q. It contains hydrofluoric acid, does it not?

A. Yep.

Q. If it contains hydrofluoric acid, isn't it true that that would etch oxide and would also undercut the oxide beneath the polysilicon layer 10 in Figure 5?

A. Well, sounds reasonable, yeah."

(Chan. Depo., Vol. II, 273:1-19.)

[17] SGS observes that a person of ordinary skill in the art at the pertinent time was motivated to "over etch": "[T]hose skilled in the art at the time of the invention of the '314 patent recognized that over-etching carries an important benefit. As a result of

37. Step "(d)" of claim 1 requires "diffusing dopants into the substrate through the exposed substrate portion." (IR Ex. A, '314 patent, col. 10, lines 36-37.) Both SGS [18] and inventor Chan [19] concede that the elements of step "(d)" are found in Hooker.

38. Step "(e)" of claim 1 requires "exposing the substrate to an oxidizing ambient simultaneously to oxide [grow oxide from] both the peripheral edge of the polysilicon layer and the exposed substrate surface portion adjoining the lateral undercut region . . . ." (IR Ex. A, '314 patent, col. 10, lines 38-42.) Both SGS [20] and inventor Chan [21] concede that these elements are found in Hooker.

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manufacturing tolerances, the oxide thickness, oxide etch rate and other factors can vary. Over-etching ensures that the substrate surface is clear of thermal oxide, which could hamper the then-state-of-the-art processes of diffusing dopants, despite these tolerances." (Plaintiff's 1/15/93 Memo., p. 7, lines 3-9; *see also* Plaintiff's 2/16/93 Memo., p. 6, lines 15-25.

[18] "In the process described in the Hooker patent, the gate oxide is selectively etched away to expose a portion of the substrate 4 to permit diffusion of the substrate. [Hooker] Figures 5 and 6. A thermal oxide 17 is grown either during or after the diffusion step. *Id.*, Col. 3, lines 40-43." (Plaintiff's 1/15/93 Memo., p. 5, lines 23-27; Plaintiff's 2/16/93 Memo., p. 5, lines 8-12; *see also* SGS Oppo., p. 19, lines 13-20.)

[19] "Q. And isn't it true that Figure 6 shows a diffusion 9 that is diffused into the surface that has been exposed by the removal of portions of the oxide layer 8?

A. Well, it's described in Column 3, too."
(Chan. Depo., Vol. II, 272:21-25.)

[20] "The Hooker patent discloses a method for making an integrated circuit having . . . a layer of thermally grown oxide 17." (Plaintiff's 1/15/93 Memo., p. 5, lines 18-22; Plaintiff's 2/16/93 Memo., p. 5, lines 3-6; *see also* SGS Oppo., p. 19, lines 26-28.)

[21] "Q. Why don't we speak in terms of 900 degrees centigrade, for example.

A. Well, the oxide would be classified as a thermal oxide.

[Continued]

39. Step "(e)" further requires that oxide be thermally grown "such that the lateral undercut region is filled by a substrate oxide component and a peripheral edge polysilicon layer oxide component as both oxide components expand and grow in response to the oxidizing ambient." (IR Ex. A, '314 patent, col. 10, lines 42-46.) SGS concedes that the Hooker process includes the step of growing a thermal oxide layer 17 following the step of etching the gate oxide 8 to the silicon surface. (*See* note 18, *supra.*) Hooker's text does not expressly state, however, the relative thickness of oxide layers 17 and 8. SGS asserts that "[t]o fill in the undercut, oxide layer 17 would have to have been grown to a thickness at least as great as the

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[21] [Continued]

Q. That would be a thermal oxide?

A. Yes.

Q. And that's silicon dioxide; is that correct?

A. Silicon dioxide.

Q. Does the silicon dioxide grow on the silicon substrate?

A. Yes.

Q. Does the silicon dioxide continue to grow after there has been a layer of silicon dioxide formed?

A. Yes.

Q. And why is that?

A. It's the natural way.

Q. Is that because the oxygen penetrates the silicon dioxide and reaches the underlying silicon substrate so that material continues to grow from the substrate?

A. It's the natural way.

Q. Is what I said correct?

A. Yeah, it's the natural way.

Q. Does silicon dioxide also grow from polysilicon as well as the natural silicon substrate?

A. Yes."

. . .

"Q. Now, returning to Figure 7, it's true, isn't it, that Figure 7 shows a thermally-grown oxide over the doped areas 9 of Figure 6?

A. Well, Column 3 describes it.

Q. That was a thermally-grown oxide, correct?

A. Yep."

(Chan Depo., Vol. II, 158:3-159.4, 273:20-25.)

thickness of gate oxide layer 8." (SGS Oppo., p. 16, lines 26-28; Cunningham Decl., p. 13, lines 9-11.) Although he disputes that Hooker would have taught a person of ordinary skill to fill the undercut with thermally grown oxide, Dr. Cunningham, SGS's technical expert, concedes that Hooker's Figure 7 depicts themal oxide layer 17 as "about the same relative thickness" as gate oxide layer 8.[22]

40. "A patent drawing alone can constitute prior art for purposes of both anticipation and obviousness analysis, even though the feature shown in the drawing was unintended or unexplained in the specification of the reference patent." *Tenant Co. v. Hako Minuteman, Inc.*, 22 U.S.P.Q. 2d 1161, 1175 (N.D. Ill., 1991); *see also Application of Aslanian*, 590 F.2d 911, 913-14 (C.C.P.A. 1979) (and cases cited therein).

41. SGS makes much of the fact that the presence and filling of the undercut is not expressly discussed in Hooker. (SGS Oppo., p. 12, line 24—p. 13, line 13.) Significantly, however, the '314 Examiner found that the Athanas process—which, like Hooker, does not discuss the existence or filling of the undercut—anticipated (*i.e.*, was precisely the same as) or made obvious the '314 process, because (1) the Examiner considered the undercut "inherent" and (2) Athanas' subsequently grown oxide would (in the Examiner's opinion) fill the undercut.[23]

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[22] Dr. Cunningham opines as follows: "The depiction in Figure 7 of the gate oxide layer 8 and thermal oxide layer 17 having about the same relative thickness would not have suggested to a person of ordinary skill in the art that oxide layer 17 would be sufficiently thick to fill any inherent lateral undercut." (Cunningham Decl., p. 10, lines 21-25.)

[23] The Examiner remarked accordingly:

"4. Claims 11, 13, and 15 [of the '314 application] are rejected under 35 U.S.C. 102(e) as anticipated by or, in the alternative, under 35 U.S.C. 103 as obvious over Athanas.

"Athanas does not disclose undercutting or over-etching of the gate oxide, *but this feature is considered inherent* since

42. Since the Examiner viewed the '314 application and Athanas as disclosing the same invention (and since both the '314 application and Athanas patent were owned by SGS), the Examiner required SGS to declare whether '314 inventors or the Athanas inventors were entitled to priority of invention.[24] SGS represented that the '314 inventors were entitled to priority (IR Ex. GG at 280; Lott Decl., ¶ 9), and thus the Athanas patent could not be considered prior art to the '314 application, 35 U.S.C. § 102. SGS could not have claimed priority of invention over the Hooker patent, as Hooker issued more than one year prior to the filing of the original application for the '314 patent. (IR Ex. C.) 35 U.S.C. § 102(b).

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similar etching is performed on the same material. *In any event, it would be obvious that the subsequent oxidation step to form silicon oxide layer 42 fills any undercutting of the polysilicon gate by over-etching the underlying gate oxide layer.*" (IR Ex. FF at 272) (emphasis added).

[24] The Examiner's opinion and direction to SGS on this point reads as follows:

"8. *This application is considered to claim an invention not patentably distinct from the invention claimed in commonly assigned* [*to Mostek*] *Patent No. 4,179,311* [*the Athanas patent*]. Where different inventive entities [inventors] are involved only one patent should issue for inventions that are not patentably distinct from each other. [Citation omitted]. Patent Claims 4 and 5 recite the process for making an isoplanar MOS device without the details of Figs. 7-13. However, *Figs. 7-13 disclose substantially what applicants are claiming except for the undercutting of the gate or over etching of the gate oxide. This feature of undercutting is considered inherent* since the materials and etchant involved are similar. . . . In accordance with 37 CFR 1.78(c), the assignee is called upon to state which entity [*i.e.*, which inventor] is entitled to priority of the following invention: The invention for which priority is to be determined is claims 11-13 and 15." (IR Ex. FF at 273-74) (emphasis added).

Hooker was not "Cumulative" of Other Prior Art

43. SGS asserts that "the Hooker patent is not material to the '314 patent because it is cumulative of other art before the examiner." (SGS Oppo., 17:10-11, capitalization omitted.) As stated by SGS: "There is no duty to disclose prior art that 'is cumulative [of] or less material than those [references] *already* before the examiner.'" (*Id.* at 17:17-19, quoting *Halliburton Co. v. Schlumberger Technology Corp.*, 925 F.2d 1435, 1440 (Fed. Cir. 1991) (emphasis added).) However, Hooker cannot be viewed as "cumulative" under this rule, because inventor Chan and SGS patent attorneys prosecuting the '314 application knew of Hooker years before the prior art on which SGS bases its "cumulativeness" argument came to the attention of the Patent Office. (*See* Findings of Fact 44-45, *infra.*)

44. The Hitachi patent[25] and Seeds patent[26] which SGS argues render Hooker merely "cumulative" were not before the Patent Office until 1985 and 1981, respectively. (SGS Ex. E, at 355-56; Ex. C, at 213.) Hooker, in contrast, was known to SGS's patent lawyers as early as October 1977 and to inventor Chan no later than December 1979. (*See* IR Ex. H at 110; *see also,* IR Ex. W at 218). These individuals had a duty promptly to cite Hooker to the Patent Office.[27] Even if the '314 Examiner had himself ultimately discovered the Hooker patent, that would not have excused SGS's withholding of Hooker. *A.B. Dick Co.*, 798 F.2d at 1396-98.

45. Not a single person involved in the prosecution of the '314 application has stepped forward to say that

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[25] British Patent No. 1,428,718, SGS Ex. E.

[26] U.S. Patent 3,913,211, SGS Ex. J.

[27] Manual of Patent Examining Procedure, §§ 2002.03(a), 2003, 2004[12] (Sept. 1982); *see Golden Valley Microwave Foods, Inc. v. Weaver Popcorn Co., Inc.*, 24 U.S.P.Q. 2d 1801, 1826 (N.D. Ind. 1992).

he considered Hooker during the '314 prosecution and decided that it need not be disclosed to the Patent Office because it was "cumulative." "[SGS] cannot now claim that [Hitachi and Seeds were] more material than [Hooker] when that apparently had nothing to do with its decision not to cite [Hooker] at the time of the application. To allow such a post hoc justification would defeat the purpose of an equitable conduct claim, which focuses on an applicant's conduct before the PTO." *Nintendo of America, Inc. v. Magnavox Co.*, 707 F. Supp. 717, 725 (S.D.N.Y. 1989).

46. Moreover, SGS's present analysis of Hooker, Hitachi and Seeds fails to support its contention that Hooker is merely "cumulative," because (1) the argument SGS used in the Patent Office to distinguish Hitachi from the '314 claims could not have been used to distinguish Hooker and (2) the argument SGS now uses to distinguish Seeds from the '314 claims is not applicable to Hooker. (*See* Findings of Fact 47-48, *infra.*)

47. SGS argued in the Patent Office that Hitachi did not fill the undercut beneath the polysilicon layer with grown oxide because it instead oxidized away "the entire projecting [overlying] sharp edge portion of the polysilicon layer." (SGS Ex. E, at 356, 1st full sentence, references to figures omitted.) SGS has not here advanced such an argument (despite being faced with this motion and IR's motions for summary judgment of invalidity based, in part, on anticipation by and obviousness in view of Hooker) to distinguish Hooker from the '314 claims. The Patent Office thus would not have viewed Hooker as cumulative of Hitachi, as SGS would have had to assert new and different arguments to try to distinguish Hooker from the '314 claims.

48. As to Seeds, SGS argues that, after the prior art etch step common to both Seeds and Hooker, Seeds "discloses that a thin oxide layer is regrown if the diffusion is carried out in an oxidizing atmosphere, [e]ssentially the

same process step [as] disclosed in Hooker." (SGS Oppo., 20:20-27, citations omitted.) An oxide grown during the diffusion step, SGS asserts, "could be insufficient to fill in an undercut created through the etching process." (Cunningham 2/16/93 Decl., ¶ 34, 13:17-14:2.) Hooker, however, unlike Seeds, does not limit the step at which oxide is grown to the impurity "diffusion" step. (*Compare* Seeds Col. 5, lines 17-19, *with* Hooker Col. 3, lines 40-43.) Hooker provides that the oxide layer may be grown "either during the impurity deposition process itself *or* in *a subsequent process*" (Hooker Col. 3, lines 40-43, emphasis added) as in the '314 patent ('314 patent Figs. 20-23).[28] Moreover, while Seeds does not include any illustration of its oxide growth step, Hooker Fig. 7 depicts its thermally grown oxide layer 17 at a thickness sufficient to fill the inherent undercut. (*See* Findings of Fact 39-40, *supra.*) Hooker, therefore, would have been more pertinent than Seeds to the Patent Office's consideration of the '314 application.

Inventor T.C. Chan and SGS's Patent Counsel Were Aware of Hooker and Withheld it with Culpable Intent

T.C. Chan

49. T.C. Chan is the first named inventor of the '314 patent. (IR Ex. A.) Chan received a copy of the Hooker patent from SGS counsel G. Roland Love in December 1979. (Chan Decl., ¶ 11.) Chan testified that he has no specific recollection of reviewing the Hooker patent

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[28] SGS misreads this quoted phrase from Hooker. (Cunningham 2/16/93 Decl., ¶ 34.) Hooker explicitly states that thermal oxide may be grown in "*a* subsequent process" step (Hooker patent, Col. 3, line 43, emphasis added) as in the '314 patent ('314 patent, Figs. 20-23). SGS, in contrast, reads: "*the* subsequent process" step, *i.e.*, the drive-in step (Cunningham 2/16/93 Decl., ¶ 34, 13:18), during which, SGS contends, only a thin oxide layer will be grown as in Seeds (*id.* at ¶ 34, 17-24). SGS's argument is thus at odds with the plain language of Hooker.

(*Id.* ¶¶ 9, 12.) However, Chan acknowledges that he reviewed Hooker and wrote down "a short notation of [his] thoughts" about it. (Chan Decl., ¶ 12; IR Ex. X.)[20] Chan's review of the Hooker reference occurred during the pendency of the '314 application, nearly six years before it issued as a patent.

50. Although Chan states that he has no "specific recollection" of the pertinent documents (Chan Decl., ¶ 11), he today concludes based on those documents that he read Hooker for reasons separate and apart from his '314 application (Chan Decl., ¶ 17), and that he "would not have made" a connection between the Hooker patent and the '314 application. (*Id.*, ¶ 18). However, Chan concedes that, in reviewing the Hooker patent in December 1979, he would have focused his attention on Hooker Fig. 7 (*id.*, ¶ 17), which discloses, like the '314 patent, growth of an oxide layer after an undercutting etch step, and depicts that grown oxide at a thickness sufficient to fill an undercut (*see* Findings of Fact 38-39, *supra.*) Chan also concedes that he would have looked at and considered Hooker's pertinent grown oxide layer (oxide layer 17) in particular. (Chan Decl., ¶ 17; *see* note 8, *supra.*)

51. Chan also declares that he "would not have" considered Hooker to disclose the regrown oxide layer as sufficiently thick to fill any undercut in the gate oxide layer. (*Id.*, ¶ 16.) At deposition, however, Chan was asked whether the grown oxide layer in Hooker Figure 7 would fill in the undercut. He testified: "Maybe; maybe not. Depends on the thickness." (Chan Depo., Vol. II, 274:1-5.)

52. In his declaration, Chan opines as to what his evaluation of Hooker in 1979 "would have been" (*e.g.*, Chan Decl., ¶ 16), but does not offer any recollection of

[20] The notations are shown on IR Ex. X, a letter produced from the files of Mr. Love's then law firm, Worsham Forsythe.

any actual evaluation of Hooker conducted by him at that time, nor has he testified as to a contemporaneous belief (in 1979) as to why Hooker was not material to the '314 prosecution.

53. As a named inventor of the '314 patent, Chan was required to disclose material references known to him in accordance with an inventor's duty of candor owed to the Patent Office.[80] Chan acknowledges this duty. (Chan Decl., ¶ 6.) Nonetheless, Chan did not disclose the Hooker patent to the Examiner of his '314 application.

E. Mickey Hubbard, Esq.

54. Mr. Hubbard was a partner in the firm of Hubbard, Thurman, Tucker & Harris in Dallas, Texas. He was the outside patent counsel for SGS who filed both the original patent application which eventually led to the issuance of the '314 patent (filed January 26, 1977) and the original patent application which eventually led to the issuance of the Athanas patent (filed January 17, 1977). (IR Ex. D at 51; IR Ex. E at 52; *see* Thoma Decl., ¶ 6.)

55. Although he apparently did not do the initial drafting of the applications, Hubbard did attend the interviews of the inventors and review drafts of the applications before submitting them to the Patent Office. (Thoma Decl., ¶ 6.)

56. A copy of the Hooker reference was mailed to Hubbard as part of the first Office Action in the Athanas prosecution. (IR Ex. H at 110; Hubbard Depo., p. 47; *see* O'Rourke Decl., ¶¶ 10-11.) In this office action, dated October 1977, the Examiner rejected certain of the Athanas claims on the ground that they were anticipated by or obvious in light of Hooker. (IR Ex. H.)

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[80] 37 C.F.R. § 1.56(a) (1977).

57. At his deposition, Hubbard testified that during the time frame of 1973 to 1979 it was "very uncommon" for him to attempt to conduct a patentability or prior art search for clients in the semiconductor area such as SGS. (Hubbard Depo., pp. 25-26, 30-31). Hubbard testified that one of the ways he learned of prior art in the 1970's was "from the patent office from a related case." (Hubbard Depo., p. 62.)

58. SGS contends that Hubbard had little substantive involvement in the '314 prosecution. (SGS Oppo., 28:6-8.) However, in addition to attending interviews of the inventors, reviewing and commenting on drafts of the application and submitting the original application for the '314 patent to the Patent Office (Thoma Decl., ¶ 6), Hubbard prepared a November 1979 amendment in the '314 prosecution in which he focused on the so-called "oxide regrowth" claims. (SGS Oppo., 28:6-13); SGS Statement of Uncontroverted Facts ¶¶ 25-26.) Hubbard was also asked in a letter from SGS counsel Love in July 1980 to search his files for prior art cited in foreign countries in connection with the foreign counterparts to the '314 application. (IR Ex. AA; Love Decl., ¶ 12.)

59. Hubbard did not disclose the Hooker patent to the Patent Office at any time during the prosecution of the '314 application.

60. In deposition testimony, Mr. Hubbard offered no specific evidence of his subjective good faith in failing to disclose the Hooker patent to the '314 examiner. Instead, he testified that he had no recollection of the Hooker patent, nor did he remember the '314 or Athanas prosecutions. (Hubbard Depo., pp. 47-49, 59-60.)

James J. Mullen, Esq.

61. Mr. Mullen, in-house counsel at SGS, became involved in the '314 and Athanas prosecutions at about the time claims 5-10 of the Athanas application were rejected on the ground that they were either anticipated

by or obvious in view of Hooker. (IR Ex. H; IR Ex. K.) In January of 1978, Mullen submitted an Amendment in response to this Office Action, devoting one full page of argument to the Hooker patent. (IR Ex. M at 187.)

62. In June 1978, Mullen submitted another response to a second Office Action rejecting the Athanas claims on the basis of Hooker. (IR Ex. N.) This second response was prepared by Pinkerton at Mullen's request and signed by Mullen. (Pinkerton Decl., ¶ 5; Mullen Decl., ¶ 11.) The response contains more than two full pages of detailed argument based on SGS's view of the teachings of the Hooker patent. (Exhibit O at 194-96.)

63. Mullen was simultaneously active in the '314 prosecution during this time period. For example, on June 30, 1978, just two days after he signed arguments concerning Hooker in connection with the Athanas application (IR Ex. O), Mullen signed an amendment submitted to the Patent Office in connection with the '314 prosecution (IR Ex. P). This amendment, also prepared by Pinkerton at Mullen's request (Pinkerton Decl., ¶ 6.), contains two pages of argument distinguishing claims of the '314 application from a different prior art reference cited by the Examiner. (IR Ex. P at 199-200.)

64. Mullen continued his involvement in both the '314 and Athanas patent prosecutions into 1979. He submitted to the Patent Office an Appointment of Associate Attorney in April 1979, in which he appointed G. Roland Love, Esq. (outside patent counsel) as associate attorney in the Athanas application. (IR Ex. Q at 203.) In the '314 prosecution, he submitted to the Patent Office a Request for Extension of Time in December 1978 (IR Ex. R at 204) and an application for a continuation of the '314 application in January 1979. (IR Ex. R at 205.)

65. Mr. Mullen never brought the Hooker reference to the attention of the examiner in the '314 prosecution.

66. Mr. Mullen declares that he did not have the skill in the late 1970's to appreciate the relevance of Hooker to the '314 application. (Mullen Decl., ¶ 10.) At that time, Mullen held a chemical engineering degree, had worked as a patent examiner for two years, and had worked as a patent lawyer at Monsanto and in private practice for 13 years before joining SGS. (Mullen Decl., ¶¶ 4, 7.) Mullen also testified that he had technical assistance available to him at SGS. (Mullen Decl., ¶ 8.) In his declaration, Mullen testifies to having no "specific recollection" of his admitted substantive involvement in the Athanas prosecution. (Mullen Decl., ¶ 7.) Despite admitting his signature on a number of submissions to the Patent Office, Mullen denies any "substantive involvement" in the '314 prosecution. (*Id.* ¶ 12.) At the time of his deposition, Mullen testified that he had no recollection of the '314 or Athanas prosecution. (Mullen Depo., pp. 25-30, 36-44.)

John P. Pinkerton, Esq.

67. Although John P. Pinkerton, Esq., does not appear as attorney of record in either the '314 or the Athanas prosecutions, at the request of Mr. Mullen he concurrently prepared amendments in *both* prosecutions. (Pinkerton Decl., ¶¶ 5-6.) The documents prepared by Pinkerton in connection with the '314 and Athanas prosecutions were submitted to the Patent Office within days of one another in 1978. (IR Ex. O; IR Ex. P).

68. An Amendment prepared by Pinkerton (and signed by Mullen on June 28, 1978) in connection with the Athanas prosecution contains more than two full pages of argument about the Hooker patent. (IR Ex. O at 194-96.) The Amendment discusses similarities and dissimilarities of "Hooker's 'polyoxide' 17" in comparison to the "polyoxide" or thermal oxide layer in the Athanas application. (*Id.* at 195.)

69. An Amendment prepared by Pinkerton (and signed by Mullen on June 30, 1978) in connection with the '314 prosecution includes, among other things, arguments to distinguish the subject matter of the '314 application from a prior art reference (the Takei reference) cited by the Examiner. (IR Ex. P at 199-200).

70. Pinkerton never disclosed the Hooker patent to the Examiner of the '314 application.

71. Mr. Pinkerton declares that he "was not in a position to appreciate" the significance of the Hooker patent to the '314 application. (Pinkerton Decl., ¶ 14.) Pinkerton had a degree in engineering (*id.*, ¶ 2) and had handled "several" patent prosecutions for SGS (*id.*, ¶¶ 3, 14). Although Pinkerton provides a declaration in which he speculates as to the reasons why he did not disclose the Hooker patent to the '314 Examiner in 1978, he does not provide any testimony as to his actual state of mind at that time. (Pinkerton Decl., ¶¶ 9-15.)

G. Roland Love, Esq.

72. Mr. Love replaced Mr. Mullen as SGS's interim in-house counsel following Mullen's departure in the Spring of 1979. (Love Decl., ¶ 3.) Love was a lawyer with the Worsham Forsythe firm, but spent six months in 1979 working out of an office at SGS. (*Id.*, ¶¶ 3-4.) Love was appointed to prosecute the Athanas application in April 1979 and the '314 application in June 1979. (Love Decl., ¶ 7; IR Ex. Q at 203; IR Ex. S at 206.) Love's undergraduate degree was in electrical engineering. (Love Decl., ¶ 1.)

73. As noted above, in connection with Athanas in December 1979, Mr. Love sent a number of prior art references (including the Hooker patent) to Chan for his review and comment. (IR Ex. W.)[31] Love's Decem-

[31] Love corresponded with Chan about the Athanas prosecution on other occasions as well. (*See, e.g.*, IR Ex. U.)

ber 1979 cover letter, along with the enclosed copy of the Hooker patent, was also transmitted to Myrick, SGS's then general counsel. (Love Depo., p. 105; IR Exs. W and X.)

74. Love did not disclose Hooker to the Patent Office in the '314 prosecution.

75. Love declares that he had no "substantive involvement" in the '314 prosecution. (Love Decl., ¶ 6.) Love, however, was appointed in June 1979 as the attorney to prosecute the '314 case. (IR Ex. S; Love Depo., pp. 38, 47.) He spoke with the Examiner of the '314 application in June 1979 and made an election of claims on which SGS would proceed. (IR Ex. Z; Love Decl., ¶ 8.) He also received the office action in July 1979 rejecting certain claims of the '314 application. (IR Ex. Y; Love Decl., ¶ 7.) In addition, he sent a letter to Hubbard in July 1980 asking for prior art references related to foreign counterparts to the pending '314 application and noting that one such prior art reference was recently called to his attention. (IR Ex. AA; Love Decl., ¶ 12).

Ronald D. Lott, Esq.

76. Lott was SGS's in-house patent counsel from the summer of 1980 through the fall of 1985. (Lott Decl., ¶ 3.) Lott has both a B.S. and M.S. in electrical engineering and worked as a patent attorney at Motorola and Western Electric before becoming patent counsel at SGS. (Lott Decl., ¶¶ 2-3.)

77. Lott was named as attorney authorized to prosecute the '314 application in June 1980. (IR Ex. CC at 263.) Lott remained active in the prosecution until the '314 patent issued in late 1985. He signed and submitted several papers to the Patent Office, including responses to office actions, and requests to file continuation and divisional applications, among other submissions.[32]

[32] For example, Lott submitted papers to the Patent Office in the '314 prosecution in August 1981 (SGS Ex. C at 214-216),

78. In November 1984, the Patent Examiner rejected certain "oxide regrowth claims" of the '314 application. (IR Ex. FF at 272-74.) The basis for the rejection, as noted above, was the Athanas patent. (*Id.*) In response to the Examiner's rejection of the '314 claims in light of the Athanas patent, Lott signed an amendment dated May 10, 1985 invoking priority of invention by Chan, *et al.* and arguing that claim 11 of the '314 application should issue over Athanas. (IR Ex. GG at 280.)

79. Before preparing SGS's response to the Examiner's inquiry as to whether Athanas or the '314 application was entitled to priority of invention, Lott attested that his practice "would have been" to turn to the patent application files for the answer. (Lott Decl., ¶ 9.) These files would have included the prior art cited in the Athanas prosecution. (*Id.*, ¶ 7; Lott Depo., pp. 24-25.) Not finding the answer in the files, Lott stated that he "would have discussed the priority matter with" Chan, shown Chan the Athanas patent, and satisfied himself that the '314 application was entitled to priority. (*Id.*) Lott has provided no contemporaneous recollection of these circumstances, however. (*Id.*)

80. Mr. Lott also had involvement with the Athanas prosecution. In October of 1980, Lott submitted a Request For Certificate of Correction Under Rule 322 for the by-then issued Athanas patent. (IR Ex. DD at 265.)

81. Lott did not call the Hooker patent to the '314 Examnier's attention.

Ronald E. Myrick, Esq.

82. Mr. Myrick was SGS's general counsel from late 1979 through the remainder of the '314 prosecution. He was involved in the '314 prosecution from October 1979

January 1982 (SGS Ex. C at 222-223), February 1982 (SGS Ex. D at 277-278), September 1982 (SGS Ex. E at 305-343), December 1982 (SGS Ex. C at 286-288), May 1985 (SGS Ex. E at 352-356), and August 1985 (SGS Ex. E at 362).

(SGS Ex. B at 132) through the notice of allowance of the '314 patent in May 1985 (SGS Ex. E at 360). During this time he made several submissions to the Patent Office in the '314 prosecution (*e.g.*, SGS Ex. C at 168-206; SGS Ex. B at 115, 138), at one point seeking an extension of time to "permit applicants to fully confer on prior art and the merits of the ['314] invention." (SGS Ex. B at 115).

83. Myrick received a copy of the Hooker patent from Love in December 1979. (IR Ex. W; Love Depo., p. 105.)

84. Myrick did not disclose Hooker to the Patent Office in the '314 prosecution.

Findings of Intent

85. This Court finds that inventor Chan and SGS's patent attorneys acted with gross recklessness and studied ignorance in failing to disclose to the Patent Office during the prosecution of the '314 patent a known, material (and known to be material) prior art reference, namely the Hooker patent.

86. This Court further finds, based on the totality of the circumstances, including reasonable and uncontroverted inferences therefrom and the absence of evidence of contemporaneous subjective good faith, that Mr. Chan and SGS's patent attorneys were aware of the Hooker patent, recognized its materiality and withheld it from the Patent Office with an intent to deceive the '314 Examiner in connection with the allowance of the '314 patent.

Conclusions of Law Deemed Findings of Fact

87. Any "Conclusion of Law" that constitutes a "Finding of Fact" is incorporated herein as such by this reference.

CONCLUSIONS OF LAW

Findings of Fact Deemed Conclusions of Law

1. Any "Finding of Fact" that constitutes a "Conclusion of Law" is incorporated herein as such by this reference.

Summary Judgment Standard

2. Summary judgment is appropriate where there is no genuine issue of material fact and the moving party is entitled to judgment as a matter of law. *Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986); *Scripps Clinic & Research Foundation v. Genentech, Inc.*, 927 F.2d 1565, 1570, 1582-83 (Fed. Cir. 1991). The inquiry on summary judgment necessarily implicates the evidentiary burden which the moving party must meet if a trial were held on the merits. *Baker Oil Tools, Inc. v. Geo Vann, Inc.*, 828 F.2d 1558, 1566 (Fed. Cir. 1987) (citing *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242 (1986)). IR, as the party asserting inequitable conduct, must prove its charges by clear and convincing evidence. *Burlington Industries, Inc. v. Dayco Corp.*, 849 F.2d 1418, 1420 (Fed. Cir. 1988). IR has done so.

Inequitable Conduct in the Procurement of the '314 Patent

3. Applicants for patents are required to conduct themselves with candor in their dealings with the Patent Office. *LaBounty Mfg., Inc. v. ITC*, 958 F.2d 1066, 1070 (Fed. Cir. 1992). This strict standard evolved in recognition of the dangers inherent when the patent monopoly is granted in an *ex parte* proceeding:

> "A patent by its very nature is affected with a public interest. As recognized by the Constitution, it is a special privilege designed to serve the public purpose of promoting the 'Progress of Science and useful Arts.' At the same time, a patent is an exception to the general rule against monopolies and to

> the right to access to a free and open market. The far-reaching social and economic consequences of a patent, therefore, give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope."

Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co., 324 U.S. 806, 816 (1945).

4. "[I]f an applicant withholds material information from the PTO with intent to affect the allowance of claims, the applicant may be found guilty of inequitable conduct and the patent obtained would be rendered unenforceable." *La Bounty*, 958 F.2d at 1070. The duty of candor extends throughout the patent's entire prosecution history. *Fox Industries v. Structural Preservation Systems*, 922 F.2d 801, 803 (Fed. Cir. 1990). The duty extends to the applicant, the inventors, the attorneys who prosecute the patent application and to all others substantively involved in the prosecution. 37 C.F.R. 1.56(a) (1977).

5. "An applicant cannot avoid the requirement that he disclose material prior art by ignoring clear indications that such prior art exists. . . . '[O]ne should not be able to cultivate ignorance, or disregard numerous warnings that material information or prior art may exist, merely to avoid actual knowledge of that information or prior art.'" *Nintendo*, 707 F. Supp. at 721 (quoting *FMC Corp. v. Hennessy Industries, Inc.*, 836 F.2d 521, 526 n.6 (Fed. Cir. 1987)).

6. An attorney seeking admission to practice before the Patent Office must "establish to the satisfaction of the Commissioner that he is possessed of the legal and scientific and technical qualifications necessary to enable him to render applicants for patents valuable service, and is otherwise competent to advise and assist them in the presentation and prosecution of their applications before

the Patent and Trademark Office." To this end, "satisfactory proof . . . of sufficient basic training in scientific and technical matters must be submitted and an examination which is held from time to time must be taken and passed." 37 C.F.R. 1.341(c) (1971), *recodified* at 37 C.F.R. 10.7(a)(b) (1985).

7. 37 C.F.R. § 1.346 (effective until March 8, 1985) provides that: "Every paper filed by an attorney or agent representing an applicant or party to a proceeding in the Patent and Trademark Office must bear the signature of such attorney or agent . . . . The signature of an attorney or agent to a paper filed by him, or the filing or presentation of any paper by him, constitutes a certificate that the paper has been read; that its filing is authorized; that to the best of his knowledge, information, and belief, there is good ground to support it; including any allegations of improper conduct contained therein; and that it is not interposed for delay." [33]

8. Inequitable conduct is a question for the Court, not the jury. *Paragon Podiatory Laboratory, Inc. v. KLM Laboratories, Inc.*, 25 U.S.P.Q. 2d 1561, 1568 (Fed. Cir. 1993). "[T]he decision respecting inequitable conduct is a discretionary decision to be made by the judge on his or her own factual findings." *Id.*; *see also Gardco Mfg. v. Herst Lighting Co.*, 820 F.2d 1209, 1213 (Fed. Cir. 1987). In addressing the question of inequitable conduct, trial courts are directed to proceed as follows:

> "The doctrine of inequitable conduct requires a trial court to undertake a two-step analysis. [1] The trial court must discern whether the withheld references satisfy a threshold level of materiality. The court must also determine whether the applicant's conduct

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[33] Recodified at 37 C.F.R. 10.18, effective after March 8, 1985. The practice under this rule is comparable to Rule 11 of the Federal Rules of Civil Procedure. Practice Before The Patent and Trademark Office, Advance Notice of Rulemaking, 49 Fed. Reg. 10012, 10013 (recodification proposed Mar. 16, 1984).

> satisfies a threshold showing of intent to mislead. These initial determinations are questions of fact . . . . [2] Next, assuming satisfaction of the thresholds, the trial court must balance materiality and intent. The more material the omission, the less culpable the intent required, and vice versa. The trial court has discretion to determine inequitable conduct."

Halliburton, 925 F.2d at 1439 (citations omitted).

9. Although the standard of proof is high, summary judgment based on inequitable conduct is appropriate if the criteria for summary judgment are satisfied. *Paragon Podiatry,* 25 U.S.P.Q. 2d at 1567. It is particularly appropriate in this case to decide the inequitable conduct issue in summary proceedings, as both parties have filed motions seeking summary judgment. (*See* Findings of Fact 9 and 10, *supra.*)

The Hooker Patent is Material Prior Art

10. Withheld prior art is "material" where there is a "substantial likelihood that a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent." *Halliburton,* 925 F.2d at 1439; *see also Merck,* 873 F.2d at 1421; *LaBounty,* 958 F.2d at 1074.

11. While a "finding that a withheld reference anticipates a claim in a patent satisfies the most stringent standard of materiality," *Fox Indus.,* 922 F.2d at 804, "the test for materiality is *not* whether there is anticipation or obviousness but, rather, what a 'reasonable examiner would consider . . . *important* . . . .'" *See, e.g., A.B. Dick Co.,* 798 F.2d at 1397 (emphasis added).

12. As explained in *RCA Corp. v. Data General Corp.,* 701 F. Supp,. 456 (D. Del. 1988), *aff'd,* 887 F.2d 1056 (Fed. Cir. 1990):

> "The fact that prior art may not render a device invalid because of obviousness or anticipation does not necessarily mean that the prior art is not "material" for disclosure purposes . . . . [I]f prior art had to meet such a high standard, the entire inequitable conduct defense would be subsumed by the substantive analysis of section 102 [anticipation] and section 103 [obviousness]. [I]t is the examiner's task to determine whether a particular patent is sufficiently similar or different from the device on which the patent is sought."

701 F. Supp. at 474 (citations omitted).

13. "It is self-evident that the effective functioning of the patent system requires that all reasonable doubts about the materiality of a prior art reference be resolved *in favor of disclosure.*" *Nintendo,* 707 F. Supp. at 721 (emphasis added); *LaBounty,* 958 F.2d at 1076 (close cases should be resolved by disclosure, not unilaterally by the applicant).

14. The Hooker patent is material prior art which should have been disclosed to the Patent Office. (*See* Findings of Fact 30-48, *supra.*)

The Hooker Patent is Not Merely "Cumulative"

15. "There is no duty to disclose prior art that 'is cumulative [of] or less material than those [references] *already* before the examiner.' " (SGS Oppo. at 17:17-19, quoting *Halliburton Co.,* 925 F.2d at 1440 (emphasis added).) The Hitachi and Seeds patents, on which SGS bases its "cumulativeness" argument, came to the attention of the Patent Office only years after inventor Chan and SGS's patent attorneys should have cited Hooker to the Patent Office. (*See* Findings of Fact 43-48, *supra.*)[34]

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[34] While not necessary to this Court's determination of inequitable conduct, the Court's holding is bolstered by the fact that the United Kingdom Patent Office rejected applications corresponding to the

These individuals had a duty promptly to cite Hooker to the Patent Office. Material prior art "references must be cited to the Examiner promptly and as soon as the applicant is aware of the references." *Golden Valley*, 24 U.S.P.Q. 2d at 1826.[35] Hooker thus cannot be said to have been "cumulative" of prior art *already* before the Patent Office. Even if the '314 Examiner had himself ultimately discovered the Hooker patent, that would not have excused SGS's withholding of Hooker. *A.B. Dick Co.*, 798 F.2d at 1396-98.

16. Not a single person involved in the prosecution of the '314 application, including SGS's six affiants, has stepped forward to say that he considered Hooker during the '314 prosecution and decided that it need not be disclosed to the Patent Office because it was "cumulative." "[SGS] cannot now claim that [Hitachi and Seeds were] more material than [Hooker] when that apparently had nothing to do with its decision not to cite [Hooker] at the time of the application. To allow such a post hoc justification would defeat the purpose of an inequitable conduct claim, which focuses on an applicant's conduct before the PTO." *Nintendo*, 707 F. Supp. at 725.

17. In any event, an analysis of the Hooker, Hitachi and Seeds patents demonstrates that Hooker is not "cum-

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'314 patent on the basis of the Hitachi patent as early as December 1979. (Letters dated 7 Dec. 1979 from the United Kingdom Patent Office (Bates No. S100162 and S10070) (received by the Court over objection at the hearing on IR's motion.)) However, despite their awareness of the Hitachi patent, SGS's patent lawyers did not disclose the Hitachi patent to the United States Patent Office until May 1985, nearly six years later.

[35] "Clearly the 'duty to disclose' 'information they are aware of' implies that such disclosure should be made reasonably soon after they become aware of the information, e.g., with the response to an action if the information is discovered during the period for response thereto." Manual of Patent Examining Procedure, § 2003 (April 1980); *see also* §§ 2002.03(a) and 2004[12].

ulative" of either Hitachi or Seeds. (*See* Findings of Fact 46-48, *supra.*)

18. The Hooker patent is not "cumulative" of other prior art already before the Examiner in the '314 prosecution, and so Hooker should have been disclosed to the Patent Office.

Culpable Intent

19. "To satisfy the intent to deceive element of inequitable conduct, 'the involved conduct, viewed in light of all the evidence, including evidence of good faith, must indicate sufficient culpability to require a finding of intent to deceive.' " *Paragon Podiatry,* 25 U.S.P.Q. 2d at 1567 (citing *Kingsdown Medical Consultants Ltd. v. Hollister, Inc.,* 863 F.2d 867, 876 (Fed. Cir. 1988) (en banc resolution of conflicting precedent)). As recently noted by the Federal Circuit, however, " 'smoking gun' evidence is not required in order to establish an intent to deceive" by clear and convincing evidence on a motion for summary judgment. *Paragon Podiatry,* 25 U.S.P.Q. 2d at 1567 (citing *Merck,* 873 F.2d at 1422).

20. "Intent need not, and rarely can, be proven by direct evidence. It is most often proven by a showing of acts the natural consequences of which are presumably intended by the actor." *Merck,* 873 F.2d at 1427 (quotation omitted). In other words, the requisite culpable intent can, and ordinarily must, be inferred from the totality of circumstances, *see Paragon Podiatry,* 25 U.S.P.Q. 2d at 1567; *Klein v. Peterson,* 866 F.2d 412, 415 (Fed. Cir.), *cert. denied,* 109 S. Ct. 243 (1989), which may include conduct amounting to recklessness, *see Modine Manufacturing Co. v. Allen Group, Inc.,* 14 U.S.P.Q. 2d 1210, 1215 (N.D. Cal. 1989[)], *aff'd,* 917 F.2d 538 (Fed. Cir. 1990), *cert. denied,* 111 S. Ct. 2017 (1991)[36]; *Hewlett-Packard Co. v. Bausch & Lomb, Inc.,*

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[36] In *Modine,* the district court explained:

746 F. Supp. 1413, 1415 (N.D. Cal. 1990) (intent to deceive the Patent Office inferred from totality of conduct which amounted to a "studied ignorance" of the facts, a "reckless disregard" for the truth and an absence of evidence of good faith), *aff'd without op.*, 925 F.2d 1480 (Fed. Cir.), *cert. denied*, 111 S. Ct. 2854 (1991).[37]

21. During oral argument, counsel for SGS cited *Tol-O-Matic v. Proma Produkt-Und Marketing*, 945 F.2d 1546, 1553 (Fed. Cir. 1991), for the proposition that a finding of recklessness cannot provide a sufficient basis for a holding of inequitable conduct. (Reporter's Transcript of Proceedings, March 15, 1993, pp. 7-8.) In *Tol-O-Matic*, the Federal Circuit (facing a finding of "gross negligence or gross recklessness" accompanied by a specific finding of *no* intent to deceive) stated: "Proma is correct that gross negligence or gross recklessness alone, absent culpable intent, does not provide sufficient basis for a holding of inequitable conduct." *Id.* at 1553 (citing *Halliburton*, 925 F.2d at 1439; *Kingsdown*, 863 F.2d at 876). This Court does not base its holding of inequitable conduct solely on a finding of gross recklessness. Rather, in contrast to *Tol-O-Matic*, where the jury (in an

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> "Culpable conduct must be accompanied by a state of mind, on a continuum from accident to intent, that is higher than gross negligence. . . . *Kingsdown* does not limit that state of mind to a specific intent to deceive, but rather reaches a state of mind that is equivalent to intentional conduct by recognizing that conduct which indicates 'sufficient culpability to require a finding of intent to deceive' may support a finding of inequitable conduct. In traditional analysis, recklessness is seen as the equivalent of intent where an equivalent is recognized."

14 U.S.P.Q. 2d at 1215.

[37] *See also Hewlett-Packard Co. v. Bausch & Lomb*, 882 F.2d 1556, 1562 (Fed. Cir. 1989) ("studied ignorance of the facts and reckless indifference for the truth [along with] the complete absence of evidence of good faith . . . may give rise to an inference of wrongful intent").

advisory verdict) expressly found that the patentee *did not intend* to deceive the patent examiner, this Court has found the requisite culpable intent from the totality of circumstances, including gross recklessness. (*See* Findings of Fact 85-86, *supra.*)

Balancing of Materiality and Intent

22. Once the threshold levels of materiality and intent are established, the trial court, acting as a court of equity, balances those factors to determine whether inequitable conduct has occurred. *LaBounty,* 958 F.2d at 1070. In that weighing, the "more material the omission, the less culpable the intent required, and vice versa." *Halliburton,* 925 F.2d at 1439.

23. Here, high levels of both materiality and intent have been established. SGS has offered *no* contemporaneous subjective good faith explanation by inventor Chan and patent counsel for the failure to disclose the Hooker patent to the Patent Office. "[M]erely conclusory statements or completely insupportable, specious, or conflicting explanations or excuses will not suffice to raise a genuine issue of fact." *Paragon Podiatry,* 25 U.S.P.Q. 2d at 1567. In *La Bounty,* the Federal Circuit admonished that "a patentee facing a high level of materiality and clear and convincing proof that it knew or should have known of that materiality, can expect to find it difficult to establish 'subjective good faith' sufficient to prevent the drawing of an inference of intent to mislead." *Id.* at 1076. "A bare declaration of lack of intent to mislead . . . amounts to no more than would a conclusory denial in a pleading, which under Fed. R. Civ. P. 56 is insufficient to create a genuine issue." *Paragon Podiatry,* 25 U.S.P.Q. 2d at 1568-69.

24. SGS's declarants profess no material recollection of their conduct or their involvement in the '314 and Athanas patent prosecutions. The declarations and deposition testimony presented to the Court reflect an utter

unwillingness on the part of anyone concerned with the '314 prosecution to take responsibility for his actions and explain them to this Court. The declarants instead provide post hoc rationalizations based on what they *now* believe they *would have* done. This will not suffice.

25. IR has carried its burden under Rule 56. On the uncontroverted facts before the Court, it is apparent from clear and convincing evidence that (i) Hooker is material prior art to the '314 application, (ii) inventor Chan and SGS patent counsel were aware of Hooker as early as December 1979 and October 1977, respectively, and knew that Hooker was material prior art, (iii) Chan and SGS patent counsel acted with gross recklessness in failing to disclose Hooker to the Patent Office, and (iv) based on the totality of circumstances and the direct and natural consequences of their actions, inventor Chan and SGS's patent counsel intended to deceive the Patent Office in connection with the allowance of the '314 patent.

26. United States Patent No. 4,553,314, entitled "Method for Making a Semiconductor Device," issued November 19, 1985 and issued to Chan, *et al.*, is unenforceable due to inequitable conduct in the procurement of said patent from the United States Patent and Trademark Office.

DATED: May 3, 1993

/s/ Manuel L. Real
HONORABLE MANUEL L. REAL
Chief U.S. District Judge

[Entered May 10, 1993]

IN THE UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

Civil Action No. CV 92-2202 R

SGS-THOMSON MICROELECTRONICS, INC.,
Plaintiff,

v.

INTERNATIONAL RECTIFIER CORPORATION,
Defendant.

PLAINTIFF'S JUDGMENT

Defendant International Rectifier Corporation's motion for summary judgment on Plaintiff's first claim for relief came on regularly for hearing before the Honorable Manuel L. Real, Chief United States District Judge, at 10:00 a.m. on March 15, 1993. The issues having been duly heard and the Court having granted Defendant's motion for summary judgment as to Plaintiff's first claim for relief, and the Court having entered its decision thereon; and

The Court, by Order dated March 1, 1993, having granted International Rectifier Corporation's motion for summary judgment on Plaintiff's second and third claims for relief, and having entered its decision thereon on March 10, 1993;

IT IS HEREBY ORDERED AND ADJUDGED that Plaintiff SGS-Thomson Microelectronics, Inc. take nothing on its First Amended Complaint; that Plaintiff's First Amended Complaint be dismissed on the merits; that United States Letters Patent No. 4,553,314, issued on November 19, 1985 to Chan, et al., is unenforceable due to inequitable conduct in its procurement from the United

States Patent and Trademark Office; and that Defendant recover its costs from Plaintiff.

This Court retains jurisdiction to determine the amount of costs to be recovered. whether this is an exceptional case within the meaning of 35 U.S.C. § 285, and. if so, whether Defendant should recover its reasonable attorney's fees and in what amount.

Dated at Los Angeles, California, this 3rd day of May, 1993.

/s/ Manuel L. Real
MANUEL L. REAL
Chief
U.S. District Judge

[Entered Aug. 9, 1993]

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

Case No. CV-92-2202-R

SGS-THOMSON MICROELECTRONICS, INC.,
Plaintiff,
v.
INTERNATIONAL RECTIFIER CORPORATION,
Defendant.

ORDER

On July 12, 1993, before the Honorable Manuel L. Real, Chief United States District Judge, defendant International Rectifier Corporation's Motion to Recovery Attorney's Fees and Expenses came on regularly for hearing. The parties were represented by their respective counsel of record, Kenneth R. O'Rourke and David E. Killough of O'Melveny & Myers for defendant, and Don M. Martens of Knobbe Martens Olson & Bear and Stuart L. Kadison of Sidley & Austin for plaintiff.

Having read and considered the papers and evidence filed in support of and in opposition to the motion, and having heard oral argument of counsel, the Court hereby ORDERS:

The motion to recover fees and costs in the amount of $2,100,684.32 pursuant to 35 U.S.C. Section 285 is GRANTED. Specific findings of fact and conclusions of law regarding the "exceptional" nature of the action under the Patent Act are concurrently filed.

DATED: August 5, 1993.

/s/ Manuel L. Real
MANUEL L. REAL
United States District Judge

[Entered Aug. 9, 1993]

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

Case No. CV-92-2202-R

SGS-THOMSON MICROELECTRONICS, INC.,
Plaintiff,

v.

INTERNATIONAL RECTIFIER CORPORATION,
Defendant.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

On July 12, 1993, before the Honorable Manuel L. Real, Chief United States District Judge, defendant International Rectifier Corporation's ("IR's") Motion to Recover Attorneys' Fees and Expenses came on regularly for hearing. The parties were represented at the hearing by their respective counsel of record, Kenneth R. O'Rourke, Esq. and David E. Killough, Esq. of O'Melveny & Myers for defendant, and Don M. Martens, Esq. of Knobbe Martens Olson & Bear and Stuart L. Kadison, Esq. of Sidley & Austin for plaintiff.

Having read and considered the papers and evidence filed in support of and in opposition to the motion, and having heard oral argument of counsel, the Court hereby enters its findings of fact, conclusions of law and Order as follows:

FINDINGS OF FACT

I. Plaintiffs SGS-Thomson Microelectronics, Inc. ("SGS") is a corporation organized under the laws of the State of Delaware.

II. Defendant IR is a corporation organized under the laws of the State of Delaware with its principal place of business located in El Segundo, California.

III. IR is the prevailing party in this litigation, which was brought as an action for patent infringement under 35 U.S.C. § 1, *et seq.*

IV. This is an exceptional case, subject to an award of reasonable attorneys' fees to the prevailing party, within the meaning of Section 285 of the Patent Act, 35 U.S.C. § 285. This finding is supported by and based on, *inter alia*:

(1) The Court's previous determination that U.S. Patent No. 4,553,314 issued to Chan, *et al.* (the "'314 patent"), the patent asserted in claim one of SGS's original and first amended complaints in this case, was acquired through deceit of the U.S. Patent and Trademark Office, as set forth in the Court's *Findings of Fact and Conclusions of Law in Support of Order Granting Defendant's Motion for Summary Judgment on Plaintiff's First Claim for Relief* (entered May 10, 1993) and *Order on Defendant's Motion for Summary Judgment on Plaintiff's First Claim for Relief* (entered May 10, 1993);[1]

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[1] The Court specifically held that the '314 patent "is unenforceable due to inequitable conduct in the procurement of said patent from the United States Patent and Trademark Office" (Conclusions of Law, ¶ 26), and determined:

"This Court finds that inventor Chan and SGS's patent attorneys acted with gross recklessness and studied ignorance in failing to disclose to the Patent Office during the prosecution of the '314 patent a known, material (and known to be material) prior art reference, namely the Hooker patent.

"This Court further finds, based on the totality of the circumstances, including reasonable and uncontroverted inferences therefrom and the absence of evidence of contemporaneous subjective good faith, that Mr. Chan and SGS's patent attorneys were aware of the Hooker patent, recognized its materality and *withheld it from the Patent Office with an intent*

(2) The Court's previous determination that SGS lacked standing to sue IR for infringement of U.S. Patent Nos. 4,712,127 and 4,495,513 (the "'127 patent" and "'513 patent," respectively), the patents asserted in SGS's second and third claims for relief in SGS's first amended complaint, because SGS acquired these patents through sham assignments orchestrated by SGS, as set forth in the Court's *Findings of Fact and Conclusions of Law in Support of Order Granting Defendant's Motion for Summary Judgment on Plaintiff's Second and Third Claims for Relief* (filed March 10, 1993) and *Order on Defendant's Motion for Summary Judgment on Plaintiff's Second and Third Claims for Relief* (filed March 10, 1993);[2] and

(3) The fact that SGS brought this lawsuit with a retaliatory motive as a "counterattack" against IR, as is evident from the timing and circumstances of the suit, including, *inter alia*.

(i) SGS's settlement [of] a prior patent infringement case brought by IR against SGS and one of its affiliates (Case No. 90-4802 R) after striking all re-

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to deceive the '314 Examiner in connection with the allowance of the '314 patent."

Findings of Fact, ¶¶ 85-86 (emphasis added).

[2] The Court specifically determined that the "assignments" were "a sham to conceal the true intent of the SGS entities—the intent to attempt to vest in SGS-US nothing more than a naked right to sue IR for alleged infringement of the '513 and '127 patents" (Findings of Fact, ¶ 16), and held:

> "On the uncontroverted facts before the Court, it is evident that (1) SGS-US is not a patentee or valid assignee of the '513 patent and, therefore, lacks standing to sue IR for the alleged infringement of that patent, and (2) SGS-US is not a patentee or valid assignee of the '127 patent and, therefore, lacks standing to sue IR for the alleged infringement of that patent."

Conclusions of Law, ¶ 8.

lease provisions from the draft which evolved into the final settlement agreement;[3] and

(ii) SGS's filing of this lawsuit on June 5, 1991, less than two months after the previous case ended with the dismissal of SGS-Thomson Microelectronics, S.r.l. ("SGS-Italy") and four weeks after an SGS-Italy executive wrote to the SGS executive in the United States who executed the settlement agreement:

> "CONGRATULATIONS FOR THE SUCCESSFUL CLOSING OF THE FIRST PHASE OF THE IR CASE. BEST WISHES FOR THE JUNE COUNTERATTACK."

(O'Rourke Decl., Exhibit F.) SGS has not offered any evidence to contradict the plain meaning of this communication, which clearly evidences a retaliatory motive on the part of SGS. In addition, SGS's corporate designee under Fed. R. Civ. Proc. 30(b)(6) admitted, and this Court previously found, that SGS acquired the '127 and '513 patents for the "sole purpose and objective" of facilitating SGS's lawsuit against IR and "there was no independent business purpose" for the purported assignments of these patents. (Findings of Fact, ¶ 8.)

V. The circumstances of this case warrant the exercise of the Court's discretion to award attorneys' fees and expenses under 35 U.S.C. § 285, as well as under the court's inherent authority to award attorneys' fees and expenses to further the interests of justice, *Chambers v. Nasco, Inc.*, —— U.S. ——, 111 S. Ct. 2123, 2134-36 (1991). This

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[3] Declaration of Samuel H. Weiner, dated May 12, 1993, ¶ 13, attached as Exhibit A Declaration of Kenneth R. O'Rourke in Support of IR's Motion to Recover Attorneys' Fees and Expanses, dated May 17, 1993 ("O'Rourke Decl."); *see also* O'Rourke Decl., Exhibit E.

finding is based on and supported by Findings of Fact IV((1)-(3) above as to the exceptional nature of this litigation, as well as on, *inter alia*:

> (1) The Court's exercise of discretion is first warranted by the nature and extent of the inequitable conduct in the acquisition of the '314 patent from the Patent Office and the failure of anyone involved to take responsibility for his actions.[4] The Court has considered SGS's argument that the 1985 acquisition of Mostek Corporation insulates SGS from the consequences of bringing suit on the '314 patent, a patent acquired through deceit of the Patent Office, but the Court does *not* find this to be a mitigating factor precluding the exercise of discretion in favor of an award of fees and expenses to IR. There are at least three alternative reasons for this:

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[4] Specifically, this Court determined that:

> "SGS's declarants profess no material recollection of their conduct or their involvement in the '314 and Athanas patent prosecutions. The declarations and deposition testimony presented to the Court reflect an utter unwillingness on the part of anyone concerned with the '314 prosecution to take responsibility for his actions and explain them to this Court. The declarants instead provide post hoc rationalizations based on what they *now* believe they *would have* done. This will not suffice.
>
> ". . . . On the uncontraverted facts before the Court, it is apparent from clear and convincing evidence that (i) Hooker is material prior art to the '314 application, (ii) inventor Chan and SGS patent counsel were aware of Hooker as early as December 1979 and October 1977, respectively, and knew that Hooker was material prior art, (iii) Chan and SGS patent counsel acted with gross recklessness in failing to disclose Hooker to the Patent Office, and (iv) based on the totality of circumstances and the direct and natural consequences of their actions, inventor Chan and SGS's patent counsel intended to deceive the Patent Office in connection with the allowance of the '314 patent."

Conclusions of Law, ¶¶ 24-25.

(i) Another district court has determined, at SGS's urging, that SGS "acquired and continued Mostek's business of designing, manufacturing, and marketing semiconductors as a going concern. . . . [SGS] purchased all of Mostek's assets that were necessary to the continued operation of Mostek's business as a going concern, excluding only certain designated assets. [A]ll of [SGS's] initial employees were former Mostek employees." *Cyrix Corp. v. Intel Corp.*, 803 F.2d 1200, 1206 (E.D. Tex. 1992);[6]

(ii) Additionally, although named inventor T.C. Chan was employed by SGS's predecessor, Mostek Corporation, at the time the inequitable conduct occurred, he became an SGS employee following SGS's acquisition of Mostek and is still an SGS employee.[6] Also, Mostek patent lawyers Peter J. Thoma, who drafted the '314 and Athanas patent applications (Findings of Fact, ¶ 12), James P. Bradley and the firm of Richards Harris & Medlock are, or have been, SGS's counsel of record in this case and are listed as such on the original and first amended complaints.[7] It was SGS, not Mostek, that filed this action and, as noted below in Findings of Fact ¶ V(3), SGS has not offered any opinions of its legal or technical advisors to justify the filing and maintenance of the suit;

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[5] Under traditional rules of successor liability, asset purchasers can be held liable as successors where the purchasing corporation merely continues the business enterprise of the selling corporation. *Louisiana-Pacific Corp. v. Asarco, Inc.*, 909 F.2d 1260, 1263, 1265 (9th Cir. 1990); *Hemstreet v. Compuscan, Inc.*, 16 U.S.P.Q.2d 1208, 1211 (N.D. Ill. 1990).

[6] Declaration of Tsiu C. Chan Submitted by Plaintiff in Opposition to Defendant's Motion for Summary Judgment, dated February 22, 1993, ¶ 5.

[7] Reply Declaration of John A. Crose, Jr. in Support of Motion for Recovery of Attorneys' Fees and Expenses, dated July 5, 1993 ("Crose Decl."), ¶ 4 and Exhibit C thereto.

(iii) Finally, during the course of this litigaton counsel for SGS stipulated with IR's counsel that SGS would not seek to insulate itself from Mostek's fraud on the Patent Office if IR was successful in proving it. (Crose Decl. ¶ 3 and Exhibit B thereto.)

(2) Exercise of the Court's discretion in favor of a fee award is also supported by SGS's own testimony, and the Court's previous determination, that SGS orchestrated the sham assignments of the '127 and '513 patents from SGS's foreign affiliates to SGS for the "sole purpose and objective" of facilitating SGS's lawsuit against IR and "based at least in part on the desires of SGS-France and SGS-Italy not to become involved in litigation in the United States." (Findings of Fact, ¶ 8.) Even though the patents were transferred for purpose of the lawsuit, SGS took "the position (in response to discovery propounded by IR in this litigation) that SGS-US is not obliged to provide to IR information in the possession of SGS-Italy or SGS-France, but will only request that its foreign affiliates comply voluntarily with IR's discovery requests." (Findings of Fact, ¶ 8 n.1.) The Court has considered, and rejects, SGS's argument that the assignments of the '127 and '513 patents on their face provide SGS with a "colorable claim" or "reasonably objective" basis for filing suit on those patents. SGS asks the Court to ignore that which SGS's own witness testified to and which this Court already found, namely that the assignments on their face *do not* reflect the true intent of SGS and its European affiliates in creating the assignment documents. (*E.g.*, Findings of Fact, ¶¶ 17-18.) Rather, as already determined, the assignments were "a sham to conceal the true intent of the SGS entities—the intent to attempt to vest in SGS-US nothing more than a naked right to sue IR for alleged infringement of the '513 and '127 patents." (Findings of Fact ¶ 16.)

(3) The Court's decision to award fees is further supported by (i) SGS's retaliatory motive in bringing this suit against IR, and (ii) all of the facts and circumstances stated above, including the fact that SGS's suit was founded on one patent acquired through inequitable conduct (the '314 patent) and on two patents SGS did not own and knew it did not own (the '127 and '513 patents), and the fact that SGS has failed to offer any exculpatory advice or opinions of its legal or technical advisors to justify or provide a good faith basis for its claims or conduct (*see* O'Rourke Decl. ¶¶ 8-12, and Exhibits G-K thereto). Accordingly, the Court finds that SGS was manifestly unreasonable in assessing its claims and bringing and pursuing this action.

(4) Finally, exercise of the Court's discretion is justified here because it would be grossly unjust under all of the circumstances of this case to deny IR reimbursement of its reasonable attorneys' fees and expenses incurred in defending against SGS's claims for relief in this case. Not only did IR incur substantial attorneys' fees and expenses to defend against SGS's patent infringement claims, but IR surely suffered productivity loss attributable to the countless hours necessarily devoted to this litigation by IR executives, engineers and other employees. By way of example, some 25 different IR employees had their depositions taken by SGS in this case, including IR's most senior executives and top engineers. (*See* Statement of Fees and Expenses, attached to Exhibit A to the Declaration of Steven P. Basileo in Support of IR's Motion to Recover Attorneys' Fees and Expenses, dated May 17, 1993.) In these circumstances, even an award of attorneys' fees and expenses will not fully compensate IR for having to defend against SGS's unjustified "counterattack."

VI. The hours expended by IR's attorneys and paralegals claimed in IR's motion and itemized in its supporting declarations, including the daily time records of counsel and legal assistants, were reasonably and necessarily incurred in the defense of this action, and IR has properly excluded from its request attorney and paralegal hours devoted to any tasks not necessary to the defense of the patent infringement claims in this action. In this regard, the Court is satisfied that IR has excluded an appropriate amount of attorney and paralegal time and expenses for IR's counterclaims. In addition,

(1) The Court has considered the time and effort devoted to this case by IR's attorneys. This was an intensive action in which there were some 300 court filings, 60 depositions and hundreds of boxes of documents produced in discovery. IR's counsel brought six motions for summary judgment. Two were granted, two were mooted by the successful motions and two were denied without prejudice as the Court found the issues to be "close." However, even the unsuccessful motions assisted the Court in understanding the issues in the case and appropriately attempted to narrow the issues for trial. While significant time was devoted to the jurisdiction and venue issues during the first eleven months of the case, the time was appropriate in light of SGS's motions for reconsideration and writ of mandamus proceedings after IR prevailed on its motion to transfer the case from the Northern District of Texas to the Central District of California.

(2) The Court also notes that SGS's attorneys devoted substantially more hours to this case than did IR's counsel (Supplemental Declaration of Kenneth R. O'Rourke in Support of Defendant IR's Motion to Recover Attorneys' Fees and Expenses, dated July 8, 1993, ¶ 6 ("Supplemental O'Rourke Decl.")), another factor which supports the reasonableness of

the hours claimed in the present motion. Additionally, IR's counsel's fees must be viewed in light of the results achieved for their client. Moreover, SGS does not challenge the reasonableness of the attorney or paralegal hours or expenses sought by IR.[8]

VII. The Court further finds that the hourly rates for IR's various attorneys, as shown in the Statement of Fees and Expenses attached as Exhibit A to the Declaration of Steven P. Basileo in Support of IR's Motion for Attorneys' Fees and Expenses dated May 17, 1993, reflect their usual and customary hourly rates, which rates the Court finds to be reasonable and within the range of those prevailing within the relevant markets in the cities in which each of those attorneys practice, and the rates prevailing here in the Central District of California. In this regard, the Court has experience in deciding other attorneys' fees applications, there are hourly rate surveys in the record, SGS's counsel's rates in the same legal communities for the same case are similar to the rates sought by IR's counsel (*compare* Exhibit B to Supplemental O'Rourke Decl. *with id.* ¶ 6 n.**) and SGS does not contest the reasonableness of the hourly rates sought by IR.

VIII. A reasonable amount of attorneys' fees and expenses to be awarded to IR for defending against SGS's patent claims in this case is $2,100,684.32 (consisting of fees of $1,838,740.41 and expenses of $261,943.91).[9] In

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[8] As SGS put it: SGS "is *not* challenging the reasonableness of the claimed attorneys fees and expenses," and although "ST is contesting IR's right to recover for certain *categories* of fees and expenses[,] ST does not challenge the reasonableness of the amount of time IR spent on any of the categories." Supplemental Memo. in Opposition to International Rectifier Corp.'s Ex Parte Motion to Compel (etc.), dated June 30, 1993, at 1, 2 n.3 (emphasis in original).

[9] At the hearing on the motion, the Court stated that it was awarding fees and expenses to IR in the amount of $2,110,037.82. The amount of the award, after taking into account the $9,353.50

addition to the aforementioned, the Court notes that SGS's counsel's fees and expenses for this litigation were $4 million or more, nearly double IR's. (Supplemental O'Rourke Decl. ¶ 4 and Exhibit A thereto.) Thus, defendant International Rectifier Corporation shall recover from plaintiff SGS-Thomson Microelectronics, Inc., fees and expenses in the amount of $2,100,684.32 plus interest at the legal rate from the entry of judgment.

II. Any "Conclusion of Law" that constitutes a "Finding of Fact" is incorporated herein as such by this reference.

CONCLUSIONS OF LAW

I. Any "Finding of Fact" that constitutes a "Conclusion of Law" is incorporated herein as such by this reference.

II. IR is the prevailing party in this case. All of SGS's patent infringement claims were resolved in favor of IR and against SGS. *See Hensley v. Eckerhart,* 461 U.S. 424, 433 (1983).

III. The Court's authority to award attorneys' fees and expenses in this case stems from both the Patent Act, 35 U.S.C. § 1 *et seq.*, and the Court's inherent authority to award attorneys' fees to further the interests of justice, *Chambers v. Nasco, Inc.*, 111 S. Ct. 2123, 2134-36 (1991); *see Alyeska Pipeline Service Co. v. Wilderness Society,* 421 U.S. 240, 259 (1975).

IV. 35 U.S.C. § 285 provides that the Court "in exceptional cases may award reasonable attorney fees to the prevailing party" in a patent infringement case. The purpose of Section 285 "is to reimburse a party injured when forced to undergo an 'exceptional' case." *Mathis v. Spears,* 857 F.2d 749, 753-54 (Fed. Cir. 1988), and to reach cases where the interests of justice warrant fee-

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in fees which IR agreed to forego in its Reply Memorandum dated July 5, 1993, is $2,100,684.32.

shifting. *Brooktree Corp. v. Advanced Micro Devices, Inc.*, 977 F.2d 1555, 1582 (Fed. Cir. 1992).

V. The policy behind the fee shifting statute in the patent context has been aptly summarized as follows:

> "Thus, the payment of attorneys' fees for the victor is not to be regarded as a penalty for failure to win a patent infringment suit. The exercise of discretion in favor of such an allowance should be bottomed upon a finding of unfairness or bad faith in the conduct of the losing party, or some other equitable consideration of similar force, which makes it grossly unjust that the winner of the particular law suit be left to bear the burden of his own counsel fees which prevailing litigants normally bear."

Rolm & Haas Co. v. Crystal Chemical Co., 736 F.2d 688, 691 (Fed. Cir. 1984) (quoting *Park-In Theaters, Inc. v. Perkins*, 190 F.2d 137, 142 (9th Cir. 1951)) (emphasis omitted). The policy is akin to the policy underlying the Court's inherent authority to award attorneys' fees outside of the patent context. *Chambers*, 111 S. Ct. at 2133 (court may assess attorneys' fees when a party has acted in bad faith, vexatiously, wantonly, or for oppressive reasons, even though the American rule prohibits fee-shifting in most cases).

VI. The standard for an award of attorneys' fees and expenses under Section 285 "may be broken down into four parts: (1) the case must be exceptional; (2) the district court may exercise its discretion; (3) the fees must be reasonable; and (4) the fees may be awarded only to the prevailing party." *Machinery Corp. v. Gullfiber AB*, 774 F.2d 467, 470 (Fed. Cir. 1985); *see J.P. Stevens Co. v. Lex Tex Ltd.*, 822 F.2d 1047, 1050 (Fed. Cir. 1987) (Under Section 285, the "district court must determine whether the case is 'exceptional;' if it is, then it is within the court's discretion to award attorneys' fees to the prevailing party.").

VII. A frequent justification for both a finding that a case is exceptional under Section 285 and the exercise of discretion in favor of an award of attorneys' fees and expenses to a party wrongly accused of patent infringement is a case such as the present, in which a patent-in-suit was procured through "inequitable conduct" before the U.S. Patent and Trademark Office. *E.g., Fox Industries v. Structural Preservation Systems,* 922 F.2d 801, 804 (Fed. Cir. 1990); *Merck & Co. v. Danbury Pharmacal, Inc.* 873 F.2d 1418, 1420 n.2 (Fed. Cir. 1989); *Mathis,* 857 F.2d at 751; *Korody-Colyer Corp. v. General Motors Corp.,* 760 F.2d 1293, 1295 (Fed. Cir. 1985); *Hewlett-Packard Co. v. Bausch & Lomb Inc.,* 21 U.S.P.Q. 2d 2037, 2039 (N.D. Cal. 1991).[10] The finding that the '314 patent was obtained from the Patent Office through inequitable conduct is sufficient to support a finding of an exceptional case and an award of attorney's fees under Section 285 in the present case.

VIII. Policy considerations *support* an award of attorneys' fees to a party who succeeds in invalidating a "fraudulently" obtained patent, although the award should be made only when—as here—it would be unjust not to do so. *Rohm,* 736 F.2d at 691-92.

IX. However, an exceptional case determination and an award of fees and expenses under Section 285 is not

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[10] *See also A.B. Chance Co. v. RTE Corp.,* 854 F.2d 1307, 1312 (Fed. Cir. 1988) ("Inequitable conduct is a separate defense to patent infringement and, either alone or in conjunction with trial conduct, may constitute the basis for an award of attorney fees under 35 U.S.C. § 285 (1982)."); *Standard Oil Co. v. American Cyanamid Co.,* 774 F.2d 448, 455 (Fed. Cir. 1985) ("A finding of inequitable conduct . . . is often a basis for a district court to find that a case is 'exceptional,' [although] it is not a prerequisite to an award of attorney fees under § 285"); *Bayer Aktiengesellschaft v. Duphar International Research B.V.,* 738 F.2d 1237, 1242 (Fed. Cir. 1984) ("In awarding attorneys' fees to a prevailing accused infringer, such exceptional circumstances include, *inter alia,* inequitable conduct during prosecution of a patent . . . .").

limited to a case in which a patentee has committed inequitable conduct in procuring the patent from the Patent Office. Under Section 285, the trial court "has broad discretion in the criteria by which it determines whether to award attorney fees." *Brooktree Corp.*, 977 F.2d at 1582.

X. Exceptional circumstances justifying an award of attorneys' fees have also included "willful infringement, misconduct during litigation, vexatious or unjustified litigation, or a frivolous suit." *Standard Oil Co. v. American Cyanamid Co.*, 774 F.2d 448, 455 (Fed. Cir. 1985). In this case there are alternative grounds justifying the exceptional case determination and the exercise of discretion in favor of an award of fees and expenses—namely, SGS's suit for infringement on two patents it did not own and knew it did not own, and SGS's retaliatory motive in bringing and pursuing its claims in this case. (Findings of Fact, *supra*, ¶¶ IV-V.)

XI. A "retaliatory motive" may be taken into account in determining whether a case is exceptional and whether to award attorneys' fees to the prevailing party. *Nordek Corp. v. Garbe Iron Works, Inc.*, 221 U.S.P.Q. 632, 634 (N.D. Ill. 1983) ("While not itself sufficient to support a finding of bad faith, a retaliatory motive nonetheless is relevant to the court' [sic] determination" of a motion for attorneys' fees under Section 285).

XII. An adverse or negative inference may be drawn from a party's refusal to produce any opinions of its legal or technical advisors where, as here, the good faith basis of the party's actions is at issue. *E.g., Eltech Systems Corp. v. PPG Industries, Inc.* 903 F.2d 805, 810-11 (Fed. Cir. 1990) (negative inference drawn from withholding technical report on infringement question where good faith basis for litigation at issue); *L.A. Gear Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117, 25 U.S.P.Q. 2d 1913, 1919 (Fed. Cir. 1993) ("Although a party to litigation may indeed withhold disclosure of the advice given by its counsel, as a privileged communication, it will not be

presumed that such withheld advice was favorable to the party's position. We have held that the assertion of privilege with respect to infringement and validity opinions of counsel may support the drawing of adverse inferences."); *Fromson v. Western Litho Plate & Supply Co.*, 853 F.2d 1568, 1572 (Fed. Cir. 1988) ("Where the infringer fails to introduce an exculpatory opinion of counsel at trial, a court must be free to infer that either no opinion was obtained or, if an opinion were obtained, it was contrary to the infringer's desire to initiate or continue its use of the patentee's invention.").

XIII. "Where, as here, the patentee is manifestly unreasonable in assessing [its claims for relief], while continuing to assert infringement in court, an inference is proper of bad faith, whether grounded in or denominated wrongful intent, recklessness, or gross negligence." *Eltech*, 903 F.2d at 811; *see also Chambers*, 111 S. Ct. at 2133; *Western Systems, Inc. v. Ulloa*, 958 F.2d 864, 872-73 (9th Cir. 1992), *cert. denied*, 113 S. Ct. 970 (1993).

XIV. An award of attorneys' fees does not necessarily fully compensate a party for having to defend against a lawsuit such as the present. "In the present case, a wrong has been done. [SGS] has severely injured [IR], having forced it to defend at monstrous expense, its right freely to compete, subjecting [IR] to a totally unwarranted suit. . . . The only deterrent to the equally improper bringing of clearly unwarranted suits on obviously invalid or unenforceable patents is Section 285. No award under Section 285 can fully compensate a defendant subjected to bad faith litigation, e.g., for loss of executives' time and missed business opportunities. Thus, that defendant cannot be fully returned to 'the situation he would have occupied if the wrong had not been committed. . . .' [¶] Moreover, when confronted with litigation brought in bad faith, a Court's exercise of its inherent power to rectify, at least in part, the injustice done the defendant serves additionally

to defend the Court and the judicial process against abuse." *Mathis*, 857 F.2d at 754.

XV. Once the Court determines that the case is "exceptional" and decides to exercise its discretion and make the award, the inquiry turns to the reasonableness of the fees and expenses to be awarded. *Machinery Corp.*, 774 F.2d at 470. An appropriate analysis to use in determining a reasonable attorneys' fees award is a "hybrid lodestar/multiplier approach." *D'Emanuele v. Montgomery Ward & Co.*, 904 F.2d 1379, 1383 (9th Cir. 1990). Under this approach, the Court must first determine a "lodestar" amount by multiplying the number of hours reasonably expended on the litigation by a reasonable hourly rate. *Id.* The Court may then increase or decrease the lodestar fee based on the factors identified by the Ninth Circuit in *Kerr v. Screen Extras Guild, Inc.*, 526 F.2d 67, 70 (9th Cir. 1975), *cert. denied*, 425 U.S. 951 (1976); *cf. Blum v. Stenson*, 465 U.S. 886, 898-900 (1984) (discussing which factors should and should not be considered in deciding whether to apply a multiplier); *D'Emanuele*, 904 F.2d at 1383. The Supreme Court has cautioned, however, that a request "for attorneys' fees should not result in a second major litigation." *Hensley*, 461 U.S. at 437; *see also Sun-Tek Industries, Inc. v. Kennedy Sky-Lites, Inc.*, 865 F.2d, 1254, 1255 (Fed. Cir. 1989).

XVI. While the district court is to "make some evaluation of the fee breakdown submitted by counsel," *Toombs v. Leone*, 777 F.2d, 465, 472 (9th Cir. 1985), the Court may draw on its experience in determining what are reasonable hours and reasonable fees and has relied on that experience and knowledge here. *See Slimfold Manufacturing Co. v. Kinkead Industries*, 932 F.2d 1453, 1459 (Fed. Cir. 1991).

XVII. Expenses, as well as attorneys' fees and interest, are recoverable under Section 285 in appropriate cases. *Mathis*, 857 F.2d at 757-60. This Court has determined that this is such a case.

XVIII. "When a litigant achieves excellent results, his attorney should recover a fully compensatory fee. Normally this will encompass all hours reasonably expended on the litigation. . . . Litigants in good faith may raise alternative legal grounds for a desired outcome and the court's rejection or failure to reach certain grounds is not a sufficient reason for reducing a fee." *Hensley*, 461 U.S. at 435.[11]

XIX. Attorneys' fees devoted to procedural issues such as jurisdiction and venue can be awarded to a party entitled to recover reasonable fees and expenses. *See McManama v. Lukhard*, 464 F. Supp. 38, 43 (W.D. Va. 1978) (awarding attorneys' fees for a jurisdictional challenge in the ordinary course of a fee award), *aff'd*, 616 F.2d 727 (4th Cir. 1980) (remanded to calculate fees on appeal); *see also Pitchford Scientific Instruments Corp. v. Pepi, Inc.*, 440 F. Supp. 1175 (W.D.Pa. 1977):

> "To the extent that courts prescribe procedures which must be exhausted before a successful [party] may obtain the fruit of his invocation of the judicial process, the expense of complying with such procedures is just as much a condition precedent to a liti-

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[11] "Rare, indeed is the litigant who doesn't lose some skirmishes on the way to winning the war. Lawsuits usually involve many reasonably disputed issues and a lawyer who takes on only those battles he is certain of winning is probably not serving his client vigorously enough; the losing is part of winning. The [plaintiff] would have us scalpel out attorneys fees for every setback, no matter how temporary, regardless of relationship to the ultimate disposition of the case. This makes little sense."

Cabrales v. County of Los Angeles, 935 F.2d 1050, 1052-53 (9th Cir. 1991); *see also Talon, Inc. v. Union Slide Fastener, Inc.*, 266 F.2d 731, 740 (9th Cir. 1959) ("a proper construction of title 35, section 285, does not require a district judge in awarding attorneys fees to a prevailing defendant to separately evaluate the services rendered under each separate defense contained in the defendant's answer and then to reduce or increase such award depending upon whether a particular defense failed or is sustained.").

> gant's obtaining the relief to which he is entitled as the outlay for court costs which litigants . . . must fork out before indulging in the privilege of seeking justice at the hands of the judicial tribunal."

440 F. Supp. at 1179-80, *aff'd, without op.*, 582 F.2d 1275 (3d Cir. 1978), *cert. denied*, 440 U.S. 981 (1979); *accord Spray-Rite Service Corp. v. Monsanto Co.*, 684 F.2d 1226, 1250 (7th Cir. 1982).

XX. Attorneys' fees and expenses for the time spent preparing and pursuing a motion to recover attorneys' fees and expenses are recoverable as part of the award under authorities from the Federal Circuit, *e.g., Central Soya Co. v. Geo. A. Hormel & Co.*, 723 F.2d 1573 (Fed. Cir. 1983); *Mathis*, 857 F.2d at 756, and Ninth Circuit, *see, e.g., Clark v. City of Los Angeles*, 803 F.2d 987, 992 (9th Cir. 1986) (civil rights case); *Perkins v. Standard Oil Co. of California*, 474 F.2d 549, 555 (9th Cir.), *cert. denied*, 412 U.S. 940 (1973) (antitrust action); *see also* 6 J. Moore, *et al., Moore's Federal Practice*, ¶ 54.79[1] at 54-561 (2d ed. 1993); *Gilbreth Int'l Corp. v. Lionel Leisure, Inc.*, 622 F. Supp. 478, 483 (E.D. Pa. 1985), *aff'd without op.*, 802 F.2d 469 (Fed. Cir. 1986) (specifically rejecting *Chromalloy American Corp. v. Alloy Surfaces Co.*, 353 F. Supp. 429, 432 (D. Del. 1973), relied upon by SGS, in favor of more recent authorities).

XXI. IR has met its burden of establishing with clear and convincing evidence that, under all of the circumstances of this case: (i) this is an exceptional case; and (ii) SGS's conduct in bringing and maintaining this lawsuit against IR is such that it would be grossly unjust to deny IR reimbursement of its attorneys' fees and expenses.

DATED: August 5, 1993.

/s/ Manuel L. Real
MANUEL L. REAL
United States District Judge

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

93-1386, -1409

SGS-THOMSON MICROELECTRONICS, INC.,
Plaintiff-Appellant,

v.

INTERNATIONAL RECTIFIER CORPORATION,
Defendant-Cross-Appellant.

ORDER

In light of changes which have been made to the July 14, 1994 opinion in SGS-Thomson v. International Rectifier, No. 93-1386, National Semiconductor's Motion to reissue the opinion in precedential form is denied. See enclosed errata modifying the July 14 opinion.

For the Court
8-26-94

DIANE FRYE
Chief Deputy Clerk

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

August 26, 1994

ERRATA

Appeal No. 93-1386, *SGS-Thomson v. International Rectifier*

Decided: July 14, 1994 Nonprecedential Opinion

Please make the following changes:

On the last line of page 3, delete "The 1988 enactment of 35".

On page 4, line 1, replace "U.S.C. § 271(g) made" with—Section 271(a) of title 35 of the United States Code makes—.

On page 4, line 3, change "(g)" to—(a)—.

[These changes modify the second sentence of the second paragraph of App. 3a and the first sentence of the third paragraph of App. 3a.]